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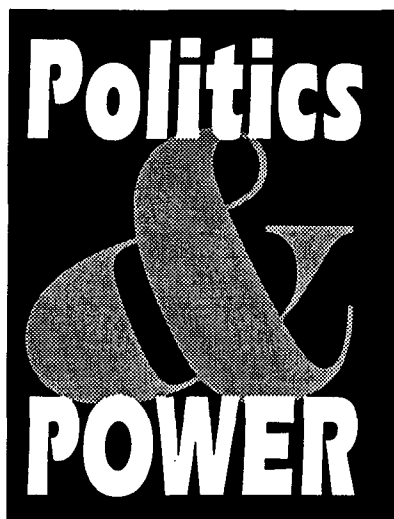
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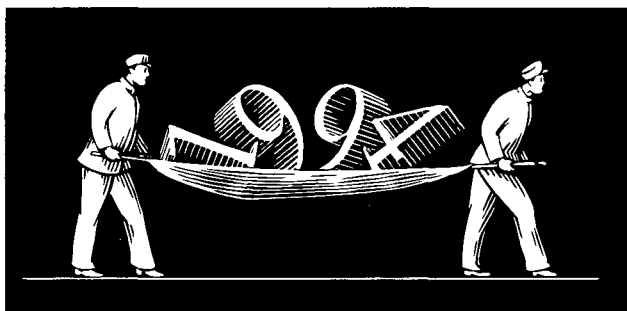
THE AMERICAN PROSPECT

A Journal
for the
Liberal
Imagination

Winter 1995

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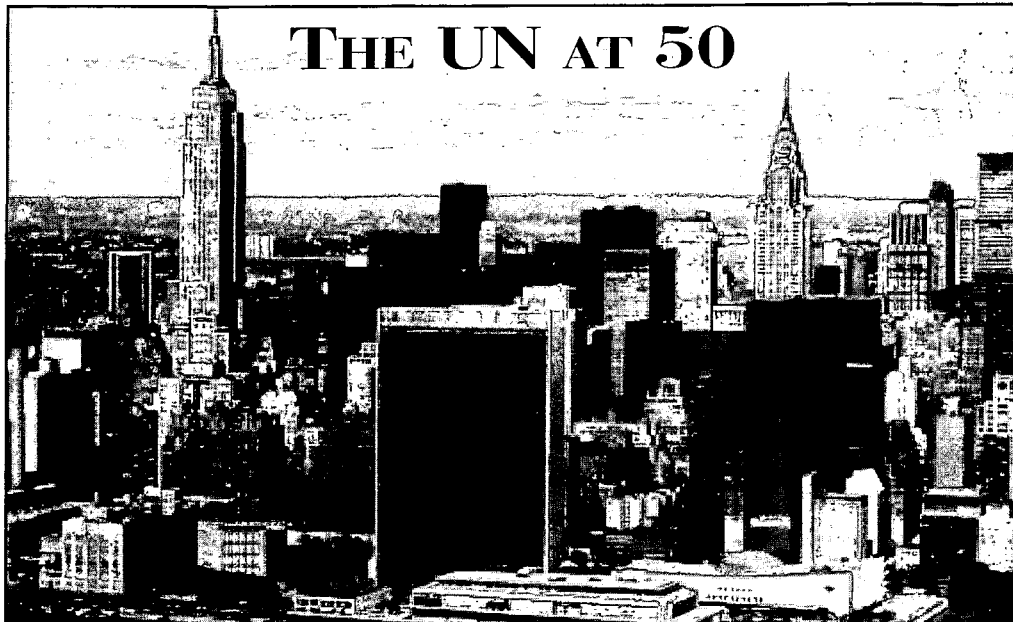
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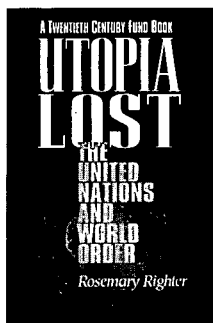
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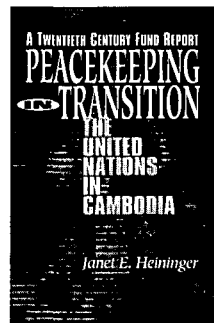
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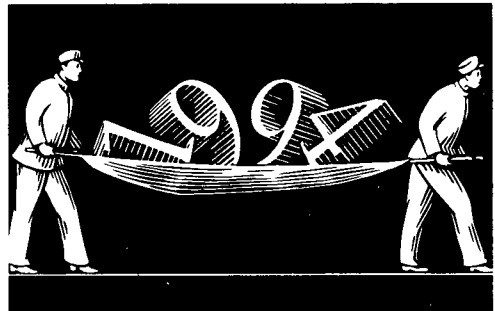
Since Franklin Roosevelt, the central liberal credo has been the use of government to benefit ordinary people. That premise is now battered—fiscally, politically, ideologically. In 1994, swing voters rejected both the concept and the party of government. The 1994 midterm election is not yet the epochal realignment that prefigures a new governing coalition and a new dominant party. But if Democrats sleep through the wake-up call and Republicans win the White House in 1996, realignment will be complete.

Thus the stakes could not be higher for Bill Clinton, and for liberals. Clinton must decide how to use his pulpit: when to conciliate and when to fight; what to jettison and what to defend; where to offer bipartisanship and where to draw partisan distinctions; what mechanisms to signal alliance with disaffected voters, absent the capacity to legislate; how to regain ground in the near term and also build strategically for the long term.

Clinton also will have to struggle to regain the affections of his own base. Richard Rothstein argues elsewhere in this issue that liberals have been too quick to abandon the president and that their faint, grudging support increased his isolation and vulnerability. Even so, the perception is now widespread that Clinton is damaged goods. If Clinton offers an uncertain trumpet, or a simple tack to the right, he will lose what remains of his liberal backing. We need to ask not just what Clinton should do, but what we should do.

At the same time, calamity can be overstated. A closer reading of voting statistics suggests that the congressional prospects for 1996 are not too bad. Despite the legislative outcome, roughly half the electorate

voted for Democrats—this was not the tidal shift suggested in the early commentaries. Dozens of House seats were decided by fewer than 2,000 votes. A majority of voters with incomes under \$50,000 voted for Democrats, though they turned out in lower numbers. In the Senate, the 1996 electoral arithmetic will be the inverse of 1994, with only 15 Democratic seats up, but 18 Republican ones. More statehouses and



legislatures are institutionally in Republican hands, but the electorate is still narrowly divided, fluid, more “de-aligned” than realigned. It would only compound the conservative sense of smug, self-confident triumph if liberals took 1994 as a categorical repudiation of everything we believe and much that Americans value.

American voters are still schizophrenic in their public philosophy. Polls continue to show, as they have for 40 years, that voters are more liberal operationally than ideologically. They don’t like the idea of government, or the taxes required to pay for it, but they value its benefits. Only a minority has the extreme anti-government view that is now Republican philosophy. But the Democrats’ conundrum is that the operational part of our mixed political economy is harder to achieve.

For a generation, Democrats governed as the normal majority party because the economics and the politics of activist government could complement each other. Affirmative government delivered tangible, valued benefits—Social Security, Medicare, FHA loans, the GI bill, the interstate highway program, college aid. The very idea of government enjoyed prestige. Government cured the Depression, won World War II, organized the containment of communism, and sponsored far-flung public endeavors given legitimacy by the Cold War. Appreciative voters reciprocated. In the equation of benefit and cost, it was a good bargain.

It was also a *possible* bargain. The economy was mostly national, dominated by large, stable industries. On both counts, the economy was amenable to regulation and stabilization. All of this contributed to security and opportunity. Democrats were custodians of a social contract that worked, with affirmative government at its center. Having won the loyalties of voters via their pocketbooks, Democrats could spend political capital advancing riskier liberal causes such as minority rights, redistribution to the poor, and civil liberties.

And it was a viable bargain distributively. Taxes on working families remained surprisingly low until the 1970s. But then Social Security costs increased; the tax code became less progressive. What has changed is not the share of GNP channeled through government but the distribution of taxes and benefits. Young families are taxed at a much higher tax rate, while corporations and the wealthy have lower rates. A rising share of benefits go disproportionately to the elderly.

Almost every aspect of the old formula has now been negated by events. Economic growth has slowed and ordinary people are not sharing in it. Even people making ends meet feel breathless and insecure. Working families pay more of the total tax load and get back less. The icons of the era are individual and entrepreneurial, not civic and solidaristic. Fiscally, the politics of chronic

deficit denies Democrats and liberals the ability to deliver concrete benefits to core constituencies. In electoral politics, money continues to drive out participation, intensifying disaffection with politics as well as with government. Meanwhile, a fractious politics of group rights and demands is stronger than ever. The core coalition, of organized minorities and single-cause liberals, is highly mobilized and often ungrateful for what it perceives as half-hearted support from the president—yet this core falls far short of an electoral majority.

Nineteen ninety-four was a rude awakening but no sudden quake. The New Deal coalition began seriously cracking 30 years ago, under the twin strains of war and race. Republicans became the normal presidential party, but Democrats kept their hold on Congress largely because of inertial loyalties and because they could continue to serve key constituencies that remained (weakly) Democratic. Congressional realignment was also delayed by Watergate, which produced both a (weak) Democratic president and a generation of Democratic congressmen who stood for procedural reform. In three distinct, reinforcing senses, dealignment and gridlock have been the norm for a political generation. The two parties have shared power, vetoing each other's grand designs, disconnecting voters from the polity, and failing to solve looming national problems.

It was the Reagan presidency and the politics of permanent deficit that set in motion the tidal wave of 1994, because they finally denied Democrats the means to serve broad constituencies via the old formula. Though Democrats could (barely) elect a minority president in 1992, the political epitaph of the 103rd Congress can be summed up in three brief words: they didn't deliver. Candidate Bill Clinton had been just enough of a populist to get elected; his campaign signaled cultural moderation and articulated the pocketbook frustrations

of ordinary people. But in office he seemed a cultural liberal who failed to produce on economics.

Legislation was indeed enacted, but the high-profile achievements were either abstract products valued by economic elites—deficit reduction, NAFTA—or brave but politically risky products such as gay rights. Other legislation was necessarily token. More expansive projects such as health reform were blocked by fiscal limits, interest group vetoes, and Republican filibusters. The substantially trumped-up Whitewater scandal, the woes of old Democratic bulls like Dan Rostenkowski, the scent of sexual impropriety, and a picture of presidential vacillation all combined to suggest that Clinton and the Democrats represented everything about government that voters resented. The party of change became the party of the status quo. Republicans, as the party of anti-government, behaved with consummate cynicism, but enjoyed an almost total free ride.

In 1994, swing voters, ambivalent about government for decades, finally concluded that if government could not produce, then why pay taxes?—a view depressingly congruent with Republican philosophy.

Sooner or later, of course, the Republicans were destined to take control of the House of Representatives. It is unnatural in a democracy for one party to hold sway for more than 40 years. Given that the Democrats' hold on the House was partly inertial, that it depended on the remnants of a one-party South that took a generation to die off, given that 30 or 40 of their number voted more like Republicans anyway, and given that power really does corrupt, Democrats could not expect to be the congressional majority in perpetuity. A rotted congressional party was waiting to be knocked over by a good stiff breeze, and 1994 produced a hurricane. But 1994 may not have been such a bad year for the inevitable to occur. A *de jure* Republican majority bearing some responsibility is probably better than a narrow, *de facto*, Democratic one unable to produce.

There is one silver lining. If pocket-book frustrations are behind much of the voter backlash, none of what ails voters in 1994 is likely to get much better by 1996. If the shift of voter affections was resounding, it was tentative. Swing voters are giving the Republicans a try, but the same angry populism could easily turn against the Republican Congress later.

Thus, the challenge for liberals is both tactical and strategic. For the long term, what kind of affirmative program is thinkable? What are our first principles? How can the party's dormant base be revived? For the near term, how can Republicans and conservatives be made to take responsibility for a philosophy and a program likely to defer solutions and to worsen voter frustrations?

Clinton must play the difficult hand history has dealt him almost flawlessly. These tactical considerations should be guided by one strategic message: The Republican program and philosophy won't repair civic life, or improve the economic lot of ordinary people. The Democratic program, given a real working majority, might.

This fight can be fought on several fronts:

Be a Teacher. The Republicans are committed to a Contract with America that is a fiscal and economic fraud. Far from embracing elements of it, Clinton needs to play the teacher. If the contract passes, it will increase the economic squeeze on working families. As Reaganomics proved, you can't cut taxes, defend benefits, and balance the budget at the same time. Democrats should expose the cynicism and hypocrisy, as well as the wrongheaded economics.

To take one example, there will be overwhelming pressure for a tax cut. If there is to be one, this is a fine opportunity to underscore vividly who speaks for whom. The Democrats should champion tax relief for working families, and fight hard for it; let the Republicans press for capital gains cuts for the rich. Win or lose, the fight is usefully clarifying.

The balanced budget amendment to the Constitution will be another sore temptation for Democrats. It was barely blocked in the last Congress. The amendment would paralyze government for the foreseeable future. Well into the next century, government's main task would be raising taxes and cutting benefits that citizens value. Activist government would be stymied indefinitely. During recessions, government would be precluded from borrowing to prime the pump.

If the amendment does get the necessary two-thirds vote in both houses of Congress, Democrats should mount a grassroots effort to block the amendment in statehouses across America. The Constitution requires an amendment to be passed by three-quarters of the states. Democrats control 18 state legislatures, and at least one house in 12 more, as well as 18 governorships. State legislatures are the right place to mount a defense because states are where liberals need to rebuild and because states will bear the brunt of the political and fiscal cost if the amendment passes. Washington would balance its own books by reducing or eliminating aid to states and cities, leaving governors and legislators with the painful choice of raising taxes or cutting services.

Clinton is at his best in the role of teacher. He warms to town meetings and kindred events where he can engage with public issues as they affect ordinary people. He needs to use such forums to make crystal clear why the Republican philosophy will not fix the economy or cure what ails voters.

The deficit, subject of more misplaced obsession, is projected to increase over the next 10 years, from its present 2.4 percent of GDP back to 3.6 percent. But more than 100 percent of that increase is projected inflation in Medicare and Medicaid. If those two outlays were held to their present share of GDP, the deficit would continue falling. So budget reform boils down to health reform. Clinton needs to get that story out. He needs to oppose simple-minded deficit hysteria, and make the case for substantive reforms instead.

Be a Chief Executive. Under our system, the president is the chief executive, not the chief legislator. Conventionally, of course, presidents are measured by the legislation they enact—Roosevelt's first hundred days, Johnson's Great Society, Reagan's tax cuts and military buildup. But progressive legislation in this Congress is simply not in the cards.

What the president does have is enormous administrative latitude, both to make policy and to manage the government better. Vice President Gore's National Performance Review is not a one-shot public relations stunt, but an ongoing enterprise. Democrats ought to run the government better, because they believe in it more. This can have several distinct payoffs. First, it can save money. One little publicized Clinton administration initiative is procurement reform. Government buys billions worth of goods and services, much of it inefficiently. As Ralph Nader and colleagues have argued in these pages, government procurement reforms can also make policy. Environmental standards in government procurement, for example, are the policy equal of new legislation, even though they can be done by regulation.

Making policy by regulation will be harder given a hostile majority in Congress. But Reagan managed it. Here again, Clinton needs to pick fights that usefully clarify that he is on the side of ordinary people, win or lose. For example, one trend adding to the economic insecurity of ordinary people is the shift to temporary and part-time work. Here, the Labor Department has enormous administrative latitude under ERISA, OSHA, and the Fair Labor Standards Act, to discourage employers from redefining full-time, permanent jobs as part-time temporary ones.

Much of what the government does involves collecting data, keeping records, paying benefits. As government record-keeping is efficiently automated, the payoffs in cost-savings and consumer satisfaction are potentially immense. With a vice president who is a technology buff, the

Clinton administration ought to be at the cutting edge of bringing government into the information age.

A dollar liberated by efficiency gains buys just as much as a dollar borrowed or taxed; it is all government has when borrowing or taxing are foreclosed. This part of the "New Democrat" agenda makes sense. It also steals the Republicans' clothes that are worth stealing. The press is conditioned to view legislation (or its blockage) as a front-page story, and public management as a non-story. But that can be changed. Some stories of making government work better are actually interesting.

Offer a High Road of Bipartisanship. In our own times, divided government has meant blockage. A generation ago, divided government actually produced consensus and legislative compromise. The zenith of that era, it pains me to say, was the presidency of Richard Nixon, who was viciously illiberal on many fronts but also fancied himself something of a progressive conservative on social legislation. With Democratic majorities in both houses, the Nixon era saw legislative progress on environmental legislation, expansions of Social Security, OSHA, and the like. Nixon even flirted with universal health insurance and a guaranteed annual income.

The Republican party, of course, is far more conservative today, but there are still areas of bipartisan overlap. Some Republican legislators do recognize that there is a health crisis. Some are concerned about the effects of defense cuts on their local economies. Some favor lobbying and campaign finance reform. Some even favor preventive anticrime measures. Taken out of the context of a bitter midterm election, some constructive compromises could command bipartisan support. In areas where there is a real prospect of success, it won't hurt for Clinton to invite Republican leaders into the strategizing. But in signing compromise legislation, Clinton needs to be crystal clear about how much more he might have done with a working progressive majority.

But Be a Fighter, Too. To submerge partisan difference into an essentially conservative consensus—reduce the deficit, cut public spending, deregulate, privatize, marketize—moots the rationale for a Democratic party. A lot of the Republican program is nonsense. At this writing, it is energizing to hear Alice Rivlin, David Bonior, and others, say so.

Even as he compromises on some measures, Clinton needs to constantly remind people why they sometimes vote for Democrats, and to revive the party's workaday base. By doing so, he will also revive the polity. Clinton was elected as a force for change, a champion of working families. Republicans can pose as the former, but not the latter. At best, they can appeal to working families' fears of crime, of racial minorities, of taxes. The 1994 election underscored that deep demands for change are still out there. Clinton can put forth some far-reaching proposals that won't be enacted in this Congress, just to make clear where he stands, and to build for next time.

One key failure of the 1994 campaign was the Democratic party's feeble and belated effort to motivate the party's base. Voter registration, mobilization, and get-out-the-vote took a back seat to fundraising and using the party as a lobby for White House legislative goals. After several years of effort, Congress finally enacted the motor-voter bill. Democrats hardly used it. As we move into the gravitational field of 1996, it remains the case that wage-earning people vote for Democrats (sometimes) because they think Democrats stand for economic opportunity and security for ordinary people, and Republicans don't. Clinton needs to reclaim that mantle for the party and for himself.

In 1994, as aging Southern Democrats continued to retire or die off, the trend continued of conservative Republicans replacing moderately conservative Democrats in the South. Running as center-right Democrats didn't save candidates like Jim Cooper, the man who spent much of 1994

undercutting the Clinton health initiative. If Democrats are to win even some seats in culturally conservative regions where there is little progressive infrastructure, they will do it by running as economic progressives, offering something to wage earners otherwise vulnerable to the rough justice of raw capitalism. The deeper forces constraining economic opportunity and civic vitality will not be resolved in the next Congress. But if they are clear about what they stand for, Clinton and the Democrats can position themselves to fight another day.

The 1994 election either presages a Republican realignment, or a period when a justifiably surly and fickle electorate is still up for grabs. Which will it be? The forces suggesting realignment include these:

- Fiscal blockage makes it harder to do anything tangible for the base Democratic constituency other than to cut their taxes. Symbolic politics and pilot programs won't help much. A politics of scarcity will increase Democratic fractiousness.

- The South is likely to become more Republican as time goes on. The creation of racially gerrymandered districts only accelerated the trend, and backfired on both Democrats and blacks. A two-party South emphatically requires biracial coalitions on pocketbook issues.

- White male support for Democrats may continue to erode. Many white men resent affirmative action. Southern white men are among the most culturally conservative of sometime Democrats. Traditionally male blue-collar jobs that paid a living wage are disappearing.

- Term limits, as a substitute for reform of the money-and-politics nexus, would only intensify the polity's Republican and conservative tilt. Democrats in Congress depended too heavily on incumbency. By using incumbency to raise special interest money, they were both pushed to the right and spared the need to mobilize the party's dormant base. But a political system in which all seats come open every few years

and in which candidates can spend unlimited money portends more Michael Huffingtons and more Democrats who adopt economic positions at odds with their natural base in order to be financially competitive.

- Unless he does nearly everything right, Clinton could prove a personal liability for Democrats. Congressional Republicans can now conduct Whitewater fishing expeditions. If Clinton is personally discredited, either by Whitewater or by the perception of vacillation, his own unpopularity could supercharge the conservative trend.

On the other side of the balance sheet, the new Republican congressional majority cannot expect a free ride from the voters either.

- Gingrich and Dole will increasingly get bad press. Neither man is likely to wear well. Despite their insurgent pose, both are up to their ears in special interest money. Both have a nasty streak. Gingrich is culturally far to the right of the country. The press will find plenty to criticize about the new incumbents.

- Nothing the Republicans do will change the underlying economic insecurity of the average man and woman. Because of the same deficit logic that paralyzes, any tax relief the Republicans deliver will be token. Even draconian anti-crime measures are unlikely to change the reality on the street. If the mood continues to be sour, there will be a backlash against the GOP.

- There are profound contradictions in the conservative world view and in the voter embrace of it. The party that celebrates the open global economy is also the party of California's anti-immigrant Proposition 187. People who are fearful of job loss and downward mobility resulting from greater economic turbulence voted for the party of laissez faire. People who wanted tax relief and deficit reduction voted for proponents of a Contract with America that will make both goals harder to achieve. The party of personal liberty

wants prayer in school and state regulation of women's reproduction.

■ The smaller congressional Democratic delegation is likely to be a more coherent and effective one. The election thinned the ranks of the party's DLC wing, and the party that remains is likely to be clearer about what it stands for.

Democrats and liberals can wrest the working middle class away from its unnatural liaison with ultraconservatives only if they are clear about what they themselves believe and have the courage of their convictions. Clinton has a choice of two governing scenarios. One begins to rebuild the party base; the other offers a pale version of the Republican program. But slightly more moderate versions of welfare crackdown, or modified school prayer, or retrenchment on gay rights, or longer prison sentences, won't reclaim voter affections. If Democrats fail to restore allegiances based on pocketbook affiliation, they will be swamped by social issues.

Clinton's choice of where to block and

where to compromise will also influence the stories that both parties are able to tell two years from now. When the lot of the average person is not improved, the right will doubtless insist that Clinton is to blame for having blocked its program. Clinton needs to be constantly stressing why the Republican Contract will do little for the average person. The worst temptation is to let the shell shock of defeat lead Democrats to accept 1994 as a Republican mandate, and to presume that their task is to become more like the Republicans.

The new political era contains the risk not just of partisan blockage but of deeper social and economic stalemate. At stake is not just who will govern but whether the civic and social fabric will hold. A failed Republican program of laissez faire will intensify the poisonous mix of downward mobility and racial resentment. It will fuel the politics of voter backlash and plain demagoguery. Even worse than realignment, we may see a politics of permanent fury. To discern a liberal high road that can offer both authentic remedies and effective politics is no easy task.♦

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DEFICIT HYPOCRITES, I

The classic definition of "pork barrel" is spending that members of Congress load onto bills to benefit their constituents. Now it has become the choice term in attacks on public spending of all kinds. And, with the summer 1994 debate over the crime bill, "pork" acquired racial overtones and took on the meaning of expenditures targeted at the inner city. Seizing upon examples such as midnight basketball, Republican opponents of the bill indiscriminately declared all urban social programs unkosher.

Do these cries of pork come from tight-fisted budget hawks? Hardly. Take a few items from a recent appropriations bill, the classic serving plate for political pork:

- The incoming Republican chair of the Senate Budget Committee, Pete Domenici, who lambasted the crime bill for "excessive pork barrel spending," was able to secure a \$3 million grant to the National Center for Genome Resources to help small businesses in New Mexico and a \$250,000 grant to the city of Espanola, New Mexico. Domenici now says he wants to give the president the power to kill individual projects in spending bills. This might be a good place to start.

- Senator Conrad Burns, who claimed that under the crime bill "drug felons are given a get-out-of-jail-free card, and when you pass go, you collect \$200 in pork," won \$500,000 for "an entity in Bozeman, Montana" to assist small businesses. No doubt Bozeman has some very special "entities."

- Representative Harold Rogers charged that the crime bill "is overloaded with enormous, wasteful spending. It pays for programs to let kids play basketball at midnight, pays for babysitters for drug addicts, and teaches convicted murderers to dance This inner city spending program will leave rural America out in the cold." But it didn't stay out in the cold for long. In the same session, Rogers

wrangled \$1 million to continue a grant to Prestonburg, Kentucky, for the development of small businesses, \$1 million for the same purpose in Hazard, Kentucky, and \$1.25 million for a facility to develop small business in Whitesburg, Kentucky.

These programs are not all necessarily wasteful, just as all inner-city spending is not necessarily productive. The problem is that rural Republican legislators have succeeded in stigmatizing urban spending by conjuring up racially charged imagery. If they're looking for pork, they should start in their own backyards.

WE'RE BOOMING—
BUT WE'RE STILL OPPRESSED

"Within the last five years cultural studies has become something of a boom industry Within universities and colleges, cultural studies programs are appearing with growing frequency in both traditional disciplinary departments and in new interdisciplinary units."—*The Cultural Studies Times*, Fall 1994, page one.

"Due to a serious lack of vision or something perhaps more insidious, there seems to be almost no room in the American system of higher education for what is called by its practitioners 'Cultural Studies' This hybrid discipline, as I say, finds itself alternatively orphaned, disenfranchised, or begging in the streets because its difference is often construed by the status quo as radical, threatening, or just plain frivolous."—Same magazine, same issue, page five.

ANY WAY THE WIND BLOWS

Simon and Schuster is promoting Elizabeth Drew's book on the Clinton presidency as a withering indictment of the administration. It looks like yet another Washington journalist has concluded that President Clinton is a failure, right?

Not so fast. The Simon and Schuster catalogue, published over the summer,

promised a book with a balanced evaluation of a president who, despite a few missteps, was growing into the office.

Since then, a deep undertow of hostility has eroded support for the president. On the airwaves and in the bookstores, anti-Clinton diatribes are prospering as never before. The press release accompanying the book reads like the *American Spectator*, trumpeting Clinton's problems in great detail. The state trooper scandal "almost ruined the White House Christmas," it reveals breathlessly. Now his successes only get passing mention. The title of the book was changed, too, from *Finding His Voice* to *On the Edge*.

THE RIGHTS OF MAN, PART II

"The Founding Fathers would be stunned that in 1994 two consenting adults can engage in any voluntary behavior, with constitutional protection, other than industry and commerce or owning private property."—Senator Phil Gramm, quoted with approval by George Will, the *Boston Globe*, September 30, 1994.

THE RIGHTS OF MAN, PART I

"Natural rights are those which appertain to man in right of his existence. Of this kind are all the intellectual rights, or rights of the mind, and also all of those rights of acting as an individual for his own comfort and happiness which are not injurious to the natural rights of others."—Thomas Paine

"Whenever there is in any country, uncultivated lands and unemployed poor, it is clear that the laws of property have been so far extended as to violate natural right."—Thomas Jefferson

DEFICIT HYPOCRITES, II

You may have heard about Third Millennium, the Generation X lobby organized around the concern that the national debt

represents a transfer of income from the young to the old by making taxpayers of the future pay for past spending. One could also argue, of course, that members of Third Millennium receive a transfer from the older generation—one that presumably they will be glad to repay. These include public assets—the physical infrastructure and other wealth the nation has built and the intangible wealth it has created through spending on research—not to mention their own primary and secondary education and other public costs associated with their upbringing.

This year, the group declared a generational jihad against health care reform. Since rising health care costs are now the central cause of higher federal spending, why would an anti-deficit organization oppose health care reform? Third Millennium discerned a threat in community rating, which has been integral to the Clinton plan and other reform proposals. Because they are less likely to get sick, young people currently pay less for health insurance than their elders. A pure community rating system would have equalized insurance rates, on the theory that insurance exists largely to spread risk. Not all reform plans actually proposed to equalize rates across age groups. Some allowed variations for age. But no matter. Third Millennium opposes any equalization of rates as "an inter-generational transfer."

Aren't these defenders of the young for-getting something? Under all insurance, the healthy pay for the sick—a shocking fact, when you think about it. Of course, the healthy cannot count on staying healthy. That is why they want insurance. And the young can certainly not count on staying young. Under community rating, you pay more when you're 26 so you can afford insurance when you're 56. Of course, that involves looking ahead to the future—just the thing the Third Millennium claims it's all about.

—Jonathan Chait

Who Killed Campaign Finance Reform? (and How to Revive It)

On October 17, The American Prospect cosponsored a conference on campaign finance reform at Harvard's Kennedy School of Government. Only weeks earlier, reform legislation had died in Congress. Participants in the conference included representatives of public interest organizations and both Democrats and Republicans; the conference received financial support from the Arca, Schumann, and Joyce Foundations, and Alida R. Messinger. Here we present two views; forthcoming issues will carry additional articles.

Press the Congress

Joan Claybrook

With the election of Bill Clinton and a large contingent of new members of Congress who ran on a government "reform" platform, there was great hope that the first significant reforms of the campaign finance system in 20 years would pass. But instead of a White House signing ceremony, we see hopes for this year dashed and spending in the 1994 elections soaring to new heights. What happened, and what can we expect next year?

The answer to the first question has many layers. On a purely technical level, the bill succumbed in the final days of Congress to a filibuster led by Republican opponents of the legislation. Both the House and Senate passed comprehensive campaign finance reform measures in 1993, leaving plenty of time to obtain passage of a final bill. The House and Senate bills contained voluntary campaign spending limits; partial public funding or very low television rates for candidates agreeing to the limits; an end to the "soft money" loophole; and much more. The Republicans disliked campaign reform, but more than that, toward the end of Congress, defeating it became a key part of their electoral strategy to deny the Democratic Congress and President Clinton any significant legis-

lative accomplishments and block the president's top agenda items at all costs.

The Democrats made it possible for this tactic to work. The bill's chances were damaged significantly by the inability of the House and Senate Democratic leaders to reach a compromise between the House and Senate bills until the last two weeks before the election recess. The key dispute focused on political action committee (PAC) limits. The Senate bill eliminated PACs. It was clear for months that the final bill, at the very least, had to reduce the current limits in order to have a chance of beating a Senate filibuster. A deal was finally struck with the election looming, but there was no time to mobilize public sentiment for reform in order to overcome the filibuster.

The White House also bears significant responsibility for the failure of reform. The Clinton administration, for all of its pro-reform rhetoric, simply did not put much muscle into moving the legislation. Clinton's failure to push early and often for campaign finance reform made it a sitting duck for recalcitrant House Democrats and obstructionist Senate Republicans.

Finally, a significant factor was the abandonment or opposition of some citizen groups and, at their urging, many funders. Though containing breakthroughs such as partial public funding and a ban on soft money, the bill was criticized by groups that believe that total or nearly total public funding of federal elections is the only meaning-

ful reform. Their desertion undercut the legislative and grassroots effort to harness the public's deep resentment and demand for reform.

Unfortunately, it is a fantasy to hope that any legislature will miraculously adopt full

It is destructive to suggest that federal legislative efforts are fruitless and only long-term grassroots activity should be pursued.

public funding without any preceding incremental change. The public's voting behavior focuses on taxes, health care, and crime, not public funding of elections. Ironically, efforts to address these pressing issues will be subject to the same stranglehold of special interest money next year as it was in the 103rd Congress, in part because some groups let the perfect be the enemy of the good.

With the defeat of this legislation, reformers lost a golden opportunity to get a system with partial public funding that almost every congressional candidate would have opted to receive, thus limiting future attacks on the principle of public funding. Success of even partial reform in this Congress also would have boosted efforts at the state level.

Nevertheless, we cannot draw back from pressing the Congress to adopt reforms. That would only reward the perfidy of the opponents of reform. And it is destructive to suggest that federal legislative efforts are fruitless and we should pursue only long-term grassroots activity aimed at creating a near revolution on this issue. We must move on a number of tracks with a targeted state-level grassroots organizing strategy (to avoid pouring money into a large black hole), and a federal legislative package that Congress cannot ignore.

To keep pressure on Congress, we must reintroduce a comprehensive campaign finance reform package similar to the bills

passed by the House and Senate. We should also push for a stand-alone bill addressing some of the worst abuses under current law—soft money, “bundling” of individual contributions by interest groups and lobbyists, “member” PACs that circumvent even the modest rules in place today, conversion of campaign money for personal use, and the failure of candidates to disclose the occupations of large contributors.

To make reform happen, reformers must leave their egos at the door and regroup. We must organize a sympathetic and frustrated public and continue to educate the media. President Clinton should fight as hard for government reform on behalf of the people as he does for trade agreements on behalf of corporations. The bad news is that party politics hurt reform this year. The good and more powerful news is that citizens across America are demanding reform more than ever. We need only to get smarter about harnessing their energy.

Take the Issue Beyond the Beltway

Ellen S. Miller

Ask someone why campaign finance reform failed in the 103rd Congress and the answer includes the usual finger-pointing at House Democrats, Senate Republicans, and the president. This is a fair but incomplete assessment.

Campaign reform remains elusive because we have failed to engage the public fully on the fundamental issue: whether election campaigns should be privately financed in the first place. We have set our sights too low and spent our time selling technical half-fixes that are hard to explain and that we cannot honestly say will do the job. We've chosen this inside game and lost on the details because we have not established the principle.

It is time for a strategic U-turn. We should forget Congress for now and focus our energies on creating a climate for real reform—a voluntary system of full public financing that replaces the privately financed system we have now. If the details of reform options cannot energize public opinion, let's address the fundamentals: Wealth must not determine access to government; the concept of "one person,

We should forget Congress for now and focus our energies on creating a climate for real reform.

one vote" should not be overrun by the practice of "one dollar, one vote." The system we have is unfair to anyone who cannot make multiple \$1,000 campaign contributions. Citizens can make no greater investment in a democracy than a few dollars per year to ensure government accountability and political equality. These are patriotic themes Americans understand and care passionately about.

Just suppose that all of us who have focused our efforts on Congress shifted our combined organizational energies and resources to a public education campaign that drives home the important principles and explains what the current system actually costs taxpayers. We have already successfully shown who's getting how much from whom and that has stirred voter anger and resentments against the political system. Future research must reveal what all this money is buying—the tax breaks, subsidies, bailouts, regulatory exemptions, and other "favors" our elected representatives perform for their financial backers.

Suppose that this kind of aggressive, high-profile public education campaign were carried on not just by the same handful of organizations now already active in campaign finance reform. Suppose they were joined by an increasingly wide range

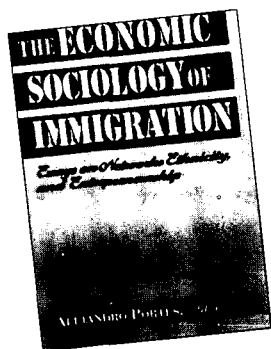
of "single issue" groups finally persuaded that major progress on campaign finance is a prerequisite for progress on, say, health care, environmental protection, jobs, affordable housing, and military conversion. And suppose that in addition to all these groups, more newly formed political reform or pro-democracy groups jumped into the fray—including many of those first organized by Ross Perot, Jerry Brown, and Ralph Nader.

Now imagine that all this public ferment and debate about privately financed elections led to cutting-edge reform efforts at the state and municipal level. For example, what if legislation for truly democratically financed elections were introduced and advocacy campaigns launched in dozens of locations around the country? This has already happened in Maine, Massachusetts, Connecticut, Vermont, and Missouri. And, as a potent corollary to all this organizing activity, suppose state and federal courts were barraged with well-researched challenges to the legality and constitutionality of today's privately financed elections.

What might be the result of this kind of all-out effort to awaken the public to the magnitude of the problem? There could arise, in time—not overnight and not in the next session of Congress—an overwhelming public demand for an election finance system that would not penalize non-wealthy candidates and voters, and that would eliminate elected officials' dependence on economically interested campaign contributors. In short, people would demand a system in which the "piper" is paid by the public and elected representatives play the public's "tune."

This kind of plan has been dismissed by some as naive or unrealistic. True, it is largely untried. But it's also true that the reform strategies of the last 20 years have failed to slow our slide toward plutocracy. If we are serious about change, then a far bolder, more imaginative strategy is needed.♦

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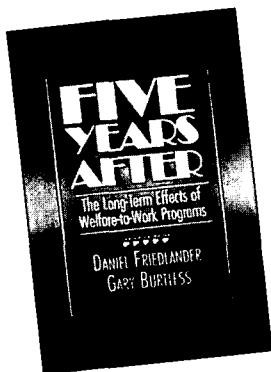


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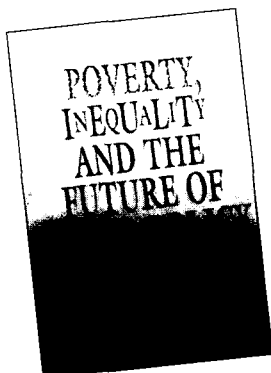


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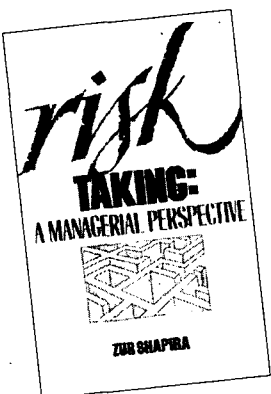


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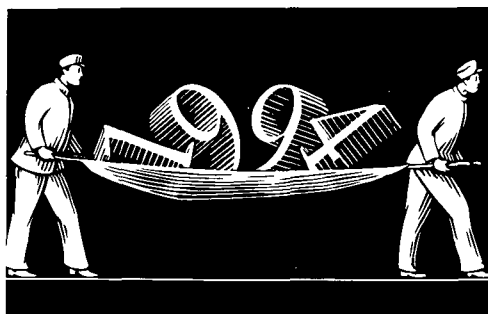
Paul Starr

It was one year from euphoria to defeat. On the evening of September 23, 1993, I sat in the gallery of the House of Representatives for President Clinton's speech introducing the administration's Health Security plan. For those of us who had worked on it, this was the climax of a long, intense, and not always easy collaboration. I had been one of about ten people on the health policy team in the White House who had written and rewritten the plan after the cast of hundreds had left. Now the president had the nation's attention focused on ideas we deeply believed in, and he spoke with tremendous force.

At first it seemed Clinton would move the country. The next morning, Stanley Greenberg, the president's pollster, crowed that the overnight surveys showed we were winning two-thirds approval. Commentators were saying that no matter how the battle over details might work out, the president had established the right principles and challenged Americans to a great, historic mission. The principle of health coverage for all was an achievement, wrote

funeral was private; no crowds gathered in mourning. While opinion surveys continued to show strong support for the ingredients of reform, the complexity of the plans and onslaught of criticism had even left many supporters bewildered and uncertain. The opposition had focused attention on what those with good health care might lose. Commentators turned on the president. On the eve of the midterm election, Joe Klein told the CBS Evening News audience that the president had led the country into a "blind alley" with his "grandiose" reform plan.

Of course, not just the Clinton plan was defeated. Every other proposal—the Cooper, Chafee, Moynihan, Mitchell, Cooper and Grandy, and "mainstream group" plans, to mention only the most prominent, consensus-building efforts—died in Congress. The question is as much why the center failed as why the president did. Only a few weeks



A.M. Rosenthal of the *New York Times*, that Clinton could already nail to the wall.

A year later, almost to the day, Senate Majority Leader George Mitchell pronounced health care reform dead. The

earlier Senator Bob Packwood had told his Republican colleagues that now that they had killed health care reform, they had to make sure their fingerprints weren't on it. Joe Klein's reaction was not unusual: The Republicans enjoyed a double triumph, killing reform and then watching jurors find the president guilty. It was the political equivalent of the perfect crime.

The collapse of health care reform in the first two years of the Clinton administration will go down as one of the great lost political opportunities in American history. It is a story of compromises that never happened, of deals that were never closed, of Republicans, moderate Democrats, and key interest groups that backpedaled from proposals they themselves had earlier cosponsored or endorsed.

It is also a story of strategic miscalculation on the part of the president and those of us who advised him. In 1993, 23 Republican senators, including then-Minority Leader Robert Dole, cosponsored a bill introduced by Senator John Chafee that sought to achieve universal coverage through a mandate—that is, a mandate on individuals to buy insurance. Nearly every major health care interest group had endorsed substantial reforms—"grandiose" ones, in fact. The American Medical Association (AMA) and Health Insurance Association of America (HIAA), the two great, historic bastions of opposition to "compulsory" health insurance, both went on record in support of an employer mandate and universal coverage. Even the U.S. Chamber of Commerce endorsed an employer mandate, as did many large corporations. Other groups came out variously for reform options that ran along a spectrum from Canadian-style, single-payer programs on the left to managed competition and medical savings accounts and radical changes in tax policy on the right. Under the circumstances, it was easy to believe the country was ready for substantial reform and that a market-oriented, consumer-choice approach to universal coverage, positioned in the center, could become a

platform for consensus.

It was easy to believe, but it turned out to be wrong.

On the political calendar, health care first gave way to other priorities. During the presidential transition and his initial year in office, Clinton concentrated on the economy and the budget. The battle of the budget dragged on into the summer of 1993 and threatened his presidency; he had little choice but to focus on winning it. This loss of time on health care, contrary to post-mortems in the media, had little, if anything, to do with the supposed "circus" of the health care task force and its 500-member working groups. The task force may well have misdirected administration energies, but it was legally dissolved at the end of May; the members of the working groups had dispersed weeks earlier, mostly to the federal agencies where they ordinarily

The Republicans enjoyed a double triumph, killing reform and then watching jurors find the president guilty. It was the political equivalent of the perfect crime.

worked. For months, the health policy team was forced to tread water, lest further leaks about health care finance alternatives—like the trial balloon for a value-added tax, floated brilliantly on April 15—disturb budget negotiations under way.

As the spring unfolded, we all had the sinking feeling that critical time was being lost. Senator Robert Byrd, custodian of Senate rules and traditions, foreclosed the option of moving health care reform into the budget reconciliation process (where it would have needed only 50 votes to pass). It was not until the early summer that a

detailed draft of the health plan was actually committed to paper. Even after the president's speech in September and the introduction of the health care bill, NAFTA took priority. Some suggested this would help health care by earning the president support from business and opinion leaders, and in fact Clinton did end the year well, maintaining his reputation as a winner who comes from behind late in the game.

But for health care reform, the season of opportunity was ending. Nineteen ninety-four would begin with a Whitewater feeding frenzy in the press, undermining trust in the president. The opponents of reform were organizing their forces, concentrating first on groups with ideological affinities. After an internal insurrection, the Chamber of Commerce reversed its endorsement of a mandate; other business organizations likewise "defected," as one business representative put it to me at the time. The AMA qualified its endorsement of a mandate—limiting it to firms with over 100 employees and thereby excluding most private doctors, the majority of whom do not cover their own employees. Senator Dole and other Republicans abandoned the Chafee bill and the individual mandate. Dole then cosponsored a bill with Packwood and within weeks abandoned that, too, saying that this—the *second* bill he offered—had "too much government."

Overconfident about the momentum of reform, we misjudged the health care politics of 1993 as a change in the climate when it was only a change in the weather. We wrongly assumed that the leading Republicans and key interest groups that had endorsed substantial reforms would at least maintain their positions and might be pulled closer to ours in a final bargain. But by spring 1994, they had no reason to accept a deal. Republicans were already anticipating big midterm election gains; killing reform in the 103rd Congress was rational ("Sight unseen, oppose it" was Republican strategist Bill Kristol's advice on Senator Mitchell's attempt to craft a compromise proposal). With unemployment down,

Americans were worrying less about their jobs and health coverage and more about crime. As health care inflation eased primarily because inflation was generally under control, businesses worried less about health care cost containment and more about the political implications of an expansion of government authority. Under these conditions, the ideological and interest-group opponents of reform were able to change the subject. Instead of health care, the focus of debate became government, which was a debate we were sure to lose.

So were people who had doubts about health reform from the start proved right by the way it ended? Was defeat inevitable? To some who were involved, this may be a comforting thought. If the odds were overwhelmingly against reform, those of us who were involved bear no responsibility for the outcome. Unfortunately, I do not believe that. We had a historic opportunity, and we blew it.

Perhaps the fateful choice was the decision to design a proposal inside the White House and put the Clinton name on it. Much criticism has focused on the "secret" deliberations of the White House task force; this is not what I have in mind. Every president works up proposals "behind closed doors" before presenting them. The real problem was that time was spent developing a plan that should have been spent negotiating it; congressional negotiations did not get under way until the midterm elections were within spitting distance. Those who felt shut out responded predictably. On health care, the administration ignored the first rule of political cooperation, "In on the takeoff, in on the landing," which underlay other quieter and more successful legislative initiatives.

By putting his personal signature on health care reform, moreover, Clinton gave the Republicans an incentive to defeat it and humiliate him rather than compromise. The Clinton label also led to confusion of public feelings about the president as a person with the entire issue of health

care reform. The First Lady's role further muddled the issue. There is no logical connection between views on health care reform and, say, gays in the military or the role of women in society. But the identification of the Clintons with the reform of health care became so strong that sentiments crossed over. The *Wall Street Journal* reported showing the same description of a health reform plan to focus groups with and without the Clinton label. Without the label, the plan won more than 70 percent support; with the label, approval dropped 30 to 40 points. It seems likely, therefore, that when polls asked for opinions about the "Clinton health plan," they tapped general feelings of confidence in President Clinton rather than preferences about the specifics of health policy. Would different decisions on alliances, cost containment, and other provisions have attracted more public support? Elite opinion might well have been affected, but I am not sure it would have made any difference to the public at large. In fact, some survey evidence suggests that although public support for the president's approach fell, it remained higher than support for any other tested alternative.

Recriminations, Left and Right

The defeat of reform has set off a festival of recriminations. Among the criticisms, one often hears two complementary I-told-you-so's. From the left: *If only Clinton had endorsed single payer or an expansion of Medicare, he would have had a simpler plan, and by rallying the public against the insurance industry, he could have won.* And then, from conservative Democrats: *If only Clinton had endorsed the Cooper plan or some other more moderate proposal, we would have substantial reform today.*

Since we cannot rerun history, these critics are safe from ever being disproved. However, no serious observer believes that Congress might have passed a national single-payer plan. Paul Wellstone, single-payer's leading advocate in the Senate, had only four cosponsors for his bill; reaching



50 votes, much less 60, was inconceivable. Some single-payer advocates acknowledged that congressional passage was implausible but thought the president should take the issue to the public in a populist campaign against special interests. However, the defeat of California's single-payer ballot initiative by a margin of 73 to 27 percent should put to rest the notion that a popular uprising against the insurance industry was ready to be awakened. The supporters of single payer enjoyed the illusion that their plan was simpler and more popular only because the Clinton plan was the lightning rod for criticism.

The harder question is whether President Clinton should have moved at the outset toward the conservative Democrats led by Representative Jim Cooper and the Senate Republicans who initially followed Chafee's lead. In retrospect, the president would clearly have done better to identify himself with the conservative Democrats and moderate Senate Republicans to lock in support for reform from when they were offering it. But the cross-pressures at the time were enormous, and support for these plans might well have dissipated if the president had embraced them and they had been subjected to the same intense public

scrutiny that the president's plan received. In fact, the Chafee and Cooper plans lost support among their original backers as the implications of their financing provisions became clearer.

Strategy: Right, Left, Right

The Clinton strategy took three political turns—or rather, it took two turns and then aborted the third. The first turn, a move to the center right, took place in August and September 1992. In the final stretch of the campaign, Clinton embraced managed competition “within a budget” as a framework for a program of universal health coverage. (I was one of those who advocated this shift.) Managed competition was heresy to many of the congressional Democrats on whom Clinton would later have to rely to pass his program, and Clinton's support for it was not mere campaign rhetoric. The principles adopted before the election guided work on his health plan after he became president.

The second turn—a move left—came in the period between January and October 1993, when the president sought to consolidate support among the many Democrats and constituency groups unhappy about his adoption of a market-oriented approach. One intense debate in the White House, for example, concerned the phasing in of reform and whether coverage would begin with a minimal, “barebones” benefit package or a comprehensive one. The president opted for comprehensive benefits (although the final benefit package was close to the median of private insurance policies today). At several key decision points, he went for the bolder option, such as more inclusive purchasing alliances (which I favored in part *because* they could offer more choices to families than employers do). The program would cover abortions, and it would include a number of expensive elements designed to appeal to older Americans: a prescription drug benefit to be added to Medicare, a new program of home-based long-term care for the elderly and disabled, and generous health in-

surance subsidies for early retirees.

While the basic framework of the Clinton plan involved consumer choice among competing health plans under rules designed to increase sensitivity to cost, the Congressional Budget Office (CBO) was unwilling to count much savings from competition in its estimate of the future costs of any proposal—Cooper's and Chafee's as well as ours. CBO's “scoring” would have considerable political impact, and one of the president's highest priorities in health care reform was to assure that the budget deficit continued downward in the late 1990s. So to keep projected costs in line, the plan included tight caps on premium increases after reform was introduced. With the bigger program came tighter regulation—tighter than many of us had anticipated or wanted.

Two theories in favor of this bigger, tighter program had considerable influence within the administration. What I now think of as the “enthusiasm theory” held that since there would be fierce opponents of reform, we needed equally passionate supporters. We had to give ordinary people something worth fighting for. A minimal program of barebones insurance or a program that was only directed toward the poor would fail to appeal to the middle class that had elected Clinton. (Good managed care also requires a broad benefits package.) And to win the support of the elderly, the president had to include significant benefits for them—hence not only prescription drugs but also long-term care and early retiree benefits.

A second argument, which I now think of as the “bargaining chip” or “onion” theory, held that the administration should go to Congress with a big program intentionally including elements that we would have to bargain away later. In exchange for support, some benefits could be cut, the caps relaxed, the alliances scaled back or sacrificed entirely. Layers of the onion could be peeled off, but we would still retain the core of the program—universal coverage, consumer choice, and a backup system of

cost containment. The paradigm was a complex negotiation: "You don't go into a negotiation with your final offer on the table." By proposing a comprehensive plan, Clinton would signal he appreciated the legitimate concerns of diverse groups; at the same time, he would indicate an open mind and a readiness to compromise.

The final lap would necessarily require a turn right; as I understood it, the question was only when this turn would come and how far it would go. There was simply no other way to pass a bill than to get conservative Democrats and moderate Republicans on board. However, besides the desire to have a strong program that could generate public enthusiasm, an immediate political rationale for delaying the right turn was that leading congressional Democrats did not want the administration to make premature concessions. To get past the gatekeepers in Congress, particularly Pete Stark, who dominated health care legislation on the House Ways and Means Committee, it was not at all obvious that the wisest approach would be to negotiate with a relatively junior congressman from Tennessee, Jim Cooper. So compromise would have to come in the later stages of congressional deliberation.

To say these judgments about strategy were mistaken is an understatement; they proved to be a disaster. Despite the comprehensive benefit package and the extras such as prescription drug coverage for the elderly, we did not receive passionate support from the groups we were counting on. We did succeed, however, in mobilizing the opposition. The scale of the program and its regulatory features also caused sympathetic groups in the business community and opinion leaders in the media to think twice about support for reform. Because we had failed to edit the plan down to its essentials and find familiar ways to convey it, many people couldn't understand what we were proposing. There were too many parts, too many new ideas, even for many policy experts to keep straight.

The original political impulse behind the

managed competition strategy was to find common ground with moderates and conservatives. Instead, much of the rhetoric used to defend the president's plan made it sound almost as if it were a single-payer proposal. Although the administration repeatedly sought to link the Health Security plan to the concerns of the middle class, universal coverage became the one clear theme, suggesting a focus on the poor. The president had invested so much in the proposal that one might have expected more of an effort to defend it. But after Mrs. Clinton's bravura performance at the initial congressional hearings and the submission of the bill, the White House focused entirely on the principles of reform and made little effort to defend the parts of the proposal. The administration had gone to the trouble of writing a bill and then left it like a foundling on the doorstep of Congress.

The Failure of Congressional Compromise

In late 1992 and early 1993, there seemed to be the makings of a consensus around the principles of universal coverage and managed competition. The Clinton, Cooper, and Chafee proposals all called for consumer choice among competing health plans, the establishment of health insurance purchasing cooperatives, a standard benefit package set or interpreted by a national board, similar reforms of the insurance market, and premium subsidies for low-income families. The Chafee and Clinton plans included mandates to make them universal; Cooper saw that as a second step. By adopting a managed competition framework, it seemed, the president was laying the basis for eventual compromise with Cooper and Chafee. If the administration started out with a structurally similar plan, it would be much easier to split the difference on any number of provisions.

But the sharply partisan climate of 1994 and fear-mongering by the opposition were hardly conducive to splitting differences. Many people simply didn't want to see compromise succeed—interest groups that

preferred to see no legislation; Republicans that preferred to stymie progress on an issue that symbolized the president's agenda; Democrats who did not want to offend one or another constituency by supporting legislation that unavoidably alienated some supporters. After saying he was flexible on almost every aspect of reform, the president boxed himself into a corner by threatening to veto any bill that fell short of universal coverage.

The failure of congressional compromise also stemmed, however, from the weaknesses of the centrist proposals. While rejecting an employer mandate, the Cooper and Chafee plans included no other source of revenue capable of financing the broadened coverage each called for. The Cooper plan covered up its inadequate financing by forcing health plans to eat losses from unfunded subsidies for the poor. The Chafee plan had nowhere near enough revenue to pay for the subsidies it envisioned for households with incomes up to 240 percent of the poverty level. These inadequacies were typical of recent moderate and conservative proposals. The reform plan that President Bush presented in February 1992, for example, included no financing provisions at all. Dole backed out of the Chafee bill and later out of the bill he cosponsored with Packwood when he saw the fiscal difficulties they posed.

The financing provisions in the Chafee and Cooper plans also raised other objections. Studies showed that Chafee's individual mandate and subsidies would sharply increase costs for middle-class households; both the Chafee and Cooper plans created strong incentives against work. If the president had embraced either proposal, the spotlight would have fallen on these problems.

The employer mandate in the Clinton plan helped to resolve these objections but at the cost of raising others. If there is a simple answer to the question, "Why did universal coverage fail?" it is simply this: Congress would not enact the employer mandate in any form, and when the man-

date failed, so did universal coverage, because there was no willingness to consider a broad-based tax. At the inception of the debate, the employer mandate enjoyed more interest-group support than ever before as well as approval by a wide margin in public opinion polls. It was by far the most plausible financing strategy for expanded coverage; after all, Richard Nixon had proposed it. But while groups like the AMA and the health insurers had accepted a mandate as preferable to a tax-financed system, they would never fight for it, nor would other interest groups. On the other hand, the National Federation of Independent Businesses (NFIB), the small-business lobby, fiercely resisted the mandate and targeted its efforts strategically to districts of swing members of key committees.

The Clinton plan anticipated opposition by small-business owners and limited their obligations under an approach that the Chamber of Commerce had suggested, but it was to no avail. The press almost always reported that employers would have to pay 80 percent of premiums; few small employers understood that this obligation was limited to a share of payroll, ranging from 3.2 to 7.9 percent, depending on the size and average wage of a firm. In fact, most small businesses that currently insure would have seen significant declines in cost under the Clinton plan. As in other areas, the plan's complexity impeded our ability to communicate it, but the misunderstandings may have made little difference. Business simply did not trust the administration. Subsidies, the small-business lobby argued, might be temporary, while the mandate would be forever. The lack of trust in the president and the government undermined every attempt to adjust the proposal to make it acceptable.

I had supposed that employer contributions were the kind of issue perfectly suited to bargaining. For example, instead of an 80 percent contribution, the level could be set at 50 percent. The smallest employers, with fewer than 10 or 20 employees, could be entirely exempt or pay a minimum rate of

The Backpedalers

By abandoning two health care reform bills he presented, Bob Dole earned first prize in legislative backpedaling in the 103rd Congress. Among Democrats, however, the prize clearly belonged to Bob Kerrey. The centerpiece of Bob Kerrey's 1992 campaign for president was a tax-financed national health insurance plan, including a 5 percent payroll tax. Nonetheless, after Clinton's election, Kerrey came out against requiring employers to contribute anything to health insurance. Kerrey's 1992 proposal also included a system of expenditure limits and a role for private managed care plans. There is no mistaking its deep resemblance to the Clinton health plan. In 1991 Kerrey published an article in these pages ("Why America Will Adopt Comprehensive Health Care Reform," No. 6, Summer 1991), in which he declared, "The biggest barrier to dramatic change—popular mistrust of government intervention—will fall as Americans realize comprehensive financing reforms can reduce bureaucratic interference with the actual delivery of health care." Bill Clinton was not the only Democrat to believe this. Although Kerrey now throws brickbats at the president, he might very well have followed the same policy if he had been elected. If he has ever acknowledged that the views he now criticizes were his own only a year or two earlier, I have missed it.



—Paul Starr

2 or 3 percent of payroll. These were precisely the compromises that Senators Edward M. Kennedy, Daniel P. Moynihan, John Breaux, Mitchell, and others incorporated into their plans or floated as options. If Clinton had had ten more Democrats in the Senate, as Lyndon Johnson did when Medicare passed in 1965, a deal of this kind might have worked, but the Democratic margin was just too narrow. It was not simply southerners like Sam Nunn who opposed the mandate. Bob Kerrey (see box above), Dianne Feinstein, and Joseph Lieberman—

all running for re-election—would not vote for the mandate in any form.

Business groups did not become implacable opponents of the Clinton plan immediately after its release in October 1993. It took several months for them to resolve their own differences and uncertainties. By midwinter, they were decisively against the president's plan; by late spring, they wanted nothing to pass. In his effort to find a majority for a reduced program in August, Senator Mitchell gave up the premium caps, made the alliances volun-

tary, and deferred the possibility of an employer mandate (for 50 percent of premiums) until 2002. At that point, the mandate would be triggered only if two conditions were met—coverage hadn't reached 95 percent of the population in a state, and Congress had failed to do anything else to raise it.

These concessions made no difference to the mandate's opponents; nothing would mollify them now. House Majority Leader Richard Gephardt had combined the two bills that passed House committees into legislation that was far more liberal than Mitchell's. Many Democrats made no secret of their desire to use the Mitchell bill as a stratagem to get the legislation into conference and then bring back a much stronger bill to the Senate. It is hard to imagine an approach better designed to increase distrust of Mitchell's proposal among conservative Democrats and moderate Republicans. But Gephardt's bill probably never had the slightest chance of passing the House. Rather than develop a compromise, Gephardt had largely accepted the bill that had emerged from the Ways and Means Committee. To business interests and conservative Democrats, this was even less palatable than the Clinton plan because it created a new Medicare Part C for the under-65 population, which they believed would screw down payment rates, shift costs to private insurance plans, and ultimately bring about a collapse of the private market. In fact, the only conceivable scenario for legislation by the summer was that the House would finally defer to a more conservative bill developed in the Senate. The unwillingness of House Democrats to acknowledge this reality was a premonition of coming disaster.

The final act was played out in the Senate and starred the "mainstream group," a bipartisan coalition of roughly 18 Senators, led by Chafee and Breaux. Of all the centrist proposals that included significantly broadened coverage, the mainstream plan

was the only one that was fiscally defensible. It financed an extension of coverage up to 91 or 92 percent of the population by imposing a cigarette tax, a tax on high-cost health plans, and cuts in Medicare. Coverage of pregnant women and children would have been nearly universal. The proposal also included insurance market reforms and voluntary purchasing alliances along the lines of the Jackson Hole Group's version of managed competition. For all its flaws, the bill would have been a historic advance.

There was only one problem: It didn't have much public support. It was too big for conservatives, too little for liberals. Democrats in Congress who genuinely wanted a compromise found that hardly any organized constituencies would swallow the bitter pill the mainstream group was offering. The elderly saw the proposal as cutting Medicare without providing anything in return; unions saw it as taxing high-cost health plans—the kind some union members still enjoy—without the guarantee of coverage "that can't be taken away." The mainstream group and Mitchell might have overcome these problems and in a different political season secured a majority, but the clock ran out.

From the beginning, the proposals in the center had failed to generate any public excitement. Economists and conservative intellectuals may like the individual mandate in the Chafee plan and the cap on tax benefits that both the Chafee and Cooper plans originally included, but no one has built public support for these measures. Most of the initial business backing for the Cooper plan seems to have been expedient. Business interests backed Cooper when they feared worse; they lost interest when the feared alternatives evaporated.

During the spring and summer of 1993, in what may really have been the crucial shift, the nation's elites abandoned health care reform entirely. They had become impatient with its complexity and nervous about its cost. While there was a general swing in the national mood at the same

time, elite views are particularly critical. In 1992 and 1993, the Jackson Hole Group and the *New York Times* editorial page seemed to be prodding the nation's establishment into assuming leadership in a restructuring of the health care market. The Senate mainstream group was this establishment's congressional incarnation. The effort might have actually succeeded if the debate had come to a head in the summer of 1993 instead of the summer of 1994. The moment has now been lost.

Divided We Fall

Before the 1992 elections, Democrats were split into several different factions on health care reform, and these divisions carried over into the Clinton administration and the Congress. Important figures in both the executive and legislative branches were never committed to comprehensive health care reform; they favored reforms of the insurance market and some limited expansion of access but not universal coverage. Another group strongly preferred reform on the Medicare model—that is, primarily based on fee-for-service medicine with price controls. A significant minority wanted a single-payer system.

The managed competition approach adopted by the president was supposed to bring these groups together, but this proved impossible. Constant in-fighting among the factions resulted in hostile leaks to the press from inside the administration and Congress, disparaging comments about the feasibility of different options or the integrity of cost estimates, and the proliferation of options until no mortal could keep them straight. The in-fighting helped mightily to confuse the public, slow the momentum of reform, and eventually kill it.

The rise of managed care has produced a particularly deep rift among reformers. Those who favored the Clinton plan and other variants in Congress accept health maintenance organizations (HMOs) and other forms of managed care as a positive force or a necessary evil to carry out systemic reforms, control costs, and make

universal coverage affordable. However, the rise of managed care has split off two wings of the reform coalition. Many progressives prefer a single-payer approach in part because they detest managed care and the insurance industry; the Clinton plan was not too little for them—it was unacceptable. This was also the view of many liberal physicians, notably specialists. At the same time, many in the business world who previously wanted more government intervention now think that managed care gives them the key to cost control. So if you hated managed care, you didn't want the Clinton plan (no matter that the plan required every alliance to offer fee-for-service plans); and if you were an employer and liked managed care, you probably didn't think the Clinton plan was necessary.

But how about the opposition of special interests, particularly the millions of dollars spent on the "Harry and Louise" commercials and other advertising, lobbying, and campaign contributions? No doubt these groups helped to create public anxiety and political paralysis, but their influence is easily exaggerated. Several of the key interest groups were actually less hostile to reform than in any prior battle over health insurance since the 1930s. The problem was not so much that the opponents had more resources, but that the supporters could not mobilize theirs. While the antagonists had great clarity of purpose, the groups backing reform suffered from multiple and complex fractures and were unable to unite.

At the outset, I thought we could overcome interest group opposition by offering a proposal that would attract, or at least not disturb, many of the key interest groups. After all, the large insurance companies could do well under a managed competition approach. The American Hospital Association and Catholic Health Association favored the same approach to reform as the Clinton plan. Major national organizations of physicians supported universal coverage; even the AMA was no longer dedicated

simply to obstructing change. The administration did receive support from American College of Physicians, the pediatricians, neurologists, and family practitioners, as well as the American Nursing Association, retail pharmacists, and other provider groups. But it failed to close the deal with the insurance companies. And by calling for major cuts in future Medicare spending growth, it lost the support of the hospital industry; for the same reason, the American Association of Retired Persons (AARP) decided not to endorse a specific plan until it was too late.

Many people have written about the politics of health reform on the basis of which groups would be "winners" and which "losers" under different approaches. We expect the losers to resist, and on health care reform they did; the winners, however, don't necessarily support change. They may instead focus on lesser provisions of a plan that hurt them or on the risk that the balance of effects will turn negative as legislation moves through Congress or in the future. During 1993 and early 1994, many winners focused their efforts on changing provisions that adversely affected them and devoted little energy to ensuring that reform would pass. Some winners opposed the Clinton plan outright. For example, the manufacturing sector—which now "exports" insurance to spouses working in other sectors and carries a heavy load of older workers and early retirees—would have seen its health insurance costs go down dramatically. But some provisions, like the generosity of the benefit package, would have raised employer costs; the early retiree provisions were unlikely to make it through Congress; and the expansion of government authority posed the risk of new burdens in the future. So although individual companies backed the Clinton plan, the National Association of Manufacturers came out against it.

While many groups sympathetic to reform were lobbying to win one provision or another in the reform plans, the health insurance and small-business lobbies were

focused unambiguously on defeating change. The political advertising reflected this difference. Advertisements by groups supporting reform typically didn't back any particular legislation, just the general ideas. The opponents' advertisements, however, specifically attacked the Clinton plan, even after it was no longer an option.

The reform coalition suffered from a disease often fatal in politics: cross-cutting cleavages. Policy factions and interest groups could not put aside their differences. Perhaps if they had seen the change coming in the midterm elections, it would have concentrated their minds. Now they've lost their turn.

The Republicans' Turn

For the moment, the agenda for health care reform belongs to the Republicans. Whether Senate and House Republicans can agree on a single bill is as yet unclear; in the Senate, the differences on health care between Phil Gramm and John Chafee are enormous. But the Republicans in the new Congress are far more likely to reach agreement than were Democrats in the last.

Any bill that passes this Congress, however, is unlikely to do much to solve the problems of coverage or cost. Covering the uninsured requires credible financing. The Republicans are not likely to approve a tax increase for health care, and they will need Medicare and Medicaid savings to pay for promised tax cuts. A balanced-budget amendment, in fact, will require far deeper retrenchment in these programs than anyone has yet contemplated. Medicaid may well be eliminated as an entitlement program. A Republican health care bill will likely include some insurance market reforms (limiting the use of pre-existing condition exclusions for someone with prior insurance coverage); limits on damages in malpractice liability suits; measures to facilitate the automation of health care transactions; and individual medical savings accounts designed to encourage people to enroll in catastrophic health insurance plans that require them to

pay the first \$2,500 or \$3,000 in medical expenses. Many of the healthy affluent will be attracted to such accounts. As a result, those who continue to enroll in conventional insurance plans with lower deductibles will be a poorer and sicker population, and their rates will go up, if plans of that type continue to be available at all.

If such a program were to pass, the most likely prognosis is that inequalities in health care would increase sharply. The supply of jobs that carry broad health and pension protection has been shrinking. The number of Americans without health insurance has risen over the past decade, but it would now be even higher if Congress had not expanded Medicaid in the 1980s to include more low-income children and pregnant women. The Republicans are promising to eliminate the "unfunded mandates" on the states that brought about this expansion of Medicaid; they also want to reduce the number of families eligible for welfare. With both employment-based and government health coverage shrinking, we will almost certainly see an increase in the uninsured. At the same time, hospitals will find it more difficult to shift the costs of the uninsured to privately insured patients, as those patients increasingly belong to managed care plans that negotiate discounted rates. Thus, nonprofit hospitals are likely to offer less charity care, and public hospitals serving poor people are likely to be mired in financial difficulty.

Many conservatives also want to require managed care plans to contract with "any willing provider," which would limit the ability of HMOs to control their costs. The view of these conservatives seems to be, first, the private sector is solving the problem of cost containment and, second, it should be stopped from solving the problem. How "any willing provider" fits with the efforts of Republican governors to shift Medicaid to managed care is a mystery that only the magic of political rhetoric can resolve. It would be yet another irony of reform if a movement that began with liberal proposals to control costs and ex-

pand coverage ended up producing conservative legislation that raised costs and reduced coverage, but stranger things have happened.

Is there any way to avert this future? Yes, the Democrats have to recover their nerve in the wake of the elections and patiently explain why the Republican proposals will compound America's health care problems. According to exit polls, this is one issue on which even the voters in the 1994 elections still preferred Democrats. The president and Democrats in Congress need to rally around a smaller, defensible program—perhaps focused on expanding subsidies to cover children and providing greater latitude for the states, particularly exemptions from ERISA, the federal law regulating employee benefit plans. The tobacco tax and employer contributions should remain as preferred methods of financing broader coverage, although the employer mandate should be reconceived as an increase in the minimum wage—perhaps to \$4.25 plus a 50-cent-an-hour health insurance contribution. If the Republicans succeed in passing individual medical savings accounts (and this does seem likely), the minimum wage contribution and tax credits could create a base for covering the low-wage employed population that does not have health insurance today.

The lesson for next time in health reform is faster, smaller. We made the error of trying to do too much at once, took too long, and ended up achieving nothing. Oh, yes, I was thrilled when President Clinton waved his pen before Congress and threatened to veto anything less than universal coverage. Like many others who supported reform, I failed to appreciate the risk of losing everything. We were too confident that reform was inevitable, just as some are now too certain that defeat was inevitable. Strategy and speed matter in politics as in sports. But, in both, new seasons bring new lineups and new opportunities. Health care will remain in the center of our politics for a long time to come. ♦

Friends of Bill?

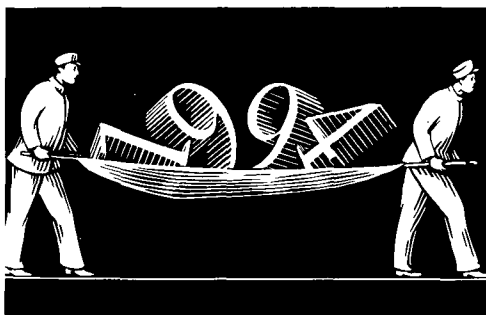
Why Liberals Should Let Up on Clinton

Richard Rothstein

Following the midterm election debacle, the conventional liberal wisdom is that Bill Clinton should now follow Harry Truman's strategy: refuse to move to the center in an attempt to find moderate votes for a watered-down agenda and instead confront the Republican majority with populist attacks on a "do-nothing Congress."

This advice ignores that prior to his "give 'em hell" 1948 election campaign, Truman spent three and a half years trying to appease conservatives to win support for a reform program. He compromised and then abandoned expansion of unemployment insurance, higher minimum wages, universal health insurance, and civil rights proposals (including anti-lynching legislation, elimination of poll taxes, integration of interstate commerce, and a Fair Employment Practices Commission). The Truman model ignores that Truman continued to pursue a strategy of moving to the center even after his devastating 1946 midterm election

rebuff, when his unpopularity produced even greater Republican gains than the GOP achieved in 1994. It ignores that Truman's own re-election campaign suc-



ceeded only by the barest margin, and that he won despite significant liberal opposition. Many on the left supported Progressive Party candidate Henry Wallace because they perceived little difference between Truman and Republican nominee

Thomas Dewey. Truman overcame this rebuke in part because the segregationist right was equally suicidal, running Dixiecrat Strom Thurmond as a fourth-party spoiler instead of endorsing Dewey. Finally, the Truman analogy ignores that while Truman's last-minute populist crusade did get him re-elected, the 1948 vote failed to undo conservatives' sway. Truman's second term was dominated by McCarthyism, MacArthur, and Korea.

Clinton's strategy must now inevitably combine elements of confrontation and populist vision with accommodation and even appeasement of Republican leaders. What is unfortunately all too certain is that many liberals will condemn him at every turn. Many will succumb to temptation (the Henry Wallace instinct) to see betrayal in every attempt to build majority support for a more progressive agenda. Many will find

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in every less-than-ideal presidential action confirmation of their belief that, at heart, Clinton is little different from Bob Dole.

This pattern of liberal myopia was firmly established during Clinton's first two years. I do not suggest that a deficit of liberal enthusiasm for Clinton was largely responsible for Democratic defeats in November. Experiences of other Western industrialized nations suggest it may be nearly impossible for liberalism in the 1990s, no matter how brilliant its leadership, to forge a majority coalition in the face of economic pressures on middle-class voters brought on by technology, international capital mobility, and immigration. The 1994 elections may represent the nearly inevitable culmination of a 30-year reaction of American white male voters to black enfranchisement, liberal tolerance, and welfare state expansion—a realignment that even the most populist political program could not have withstood. But if we wish to learn from past mistakes, the half-hearted endorsement that Clinton's first two years earned from liberal intellectuals and activists demands earnest reexamination.

During Clinton's first two years, right-wing talk shows, Republican leaders, and mainstream journalists bombarded him without mercy, but there was no equally passionate counteroffensive by liberals. There were no "I ♥ Clinton" bumper stickers, no supportive demonstrations, few op-eds with unstinting praise for the president. The nation's liberal minority was not a Clinton constituency that judged other politicians by their loyalty to the president. But an American president needs a reliable base to press his agenda. Ours is no parliamentary system where loyalists regularly reaffirm support for a government's



direction. When liberals did not back Clinton, they could not assume he could get enough support elsewhere to secure the most progressive compromises possible.

Six months into Clinton's presidency, I argued that liberals were insufficiently supportive of Clinton ("The Left's Obsessive Opposition," No. 15, Fall 1993). The narrowness of his electoral mandate and the control of Congress by a bipartisan conservative coalition even before 1994 limited what Clinton could achieve. In response, my liberal friends generally acknowledged that Clinton's challenges were overwhelming. Yet while recognizing his political difficulties, liberals continued to be standoffish about his presidency. Instead, many disparaged his real achievements (see "Clinton's Good Deeds," next page), discounted his strenuous efforts to achieve

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Clinton's Good Deeds

Or, 55 Reasons Why Liberals Should Have Cheered Clinton's First Two Years

The following list includes only initiatives that undeniably represent a change in direction from previous Republican administrations. Not included is the passage of NAFTA, which some liberals opposed, and the often cited "creation of 4 million jobs," which primarily resulted from the turn of the business cycle, though Clinton policies may have played some role. Many items on this list may now be reversed by the new Congress.

LEGISLATION

1. Increased benefit levels and eligibility for the Earned Income Tax Credit—the biggest anti-poverty measure enacted since the 1960s.
2. Restored tax progressivity with higher rates on wealthiest taxpayers.
3. Enacted gun controls, including the Brady Bill and restrictions on assault weapons.
4. Passed the National Voter Registration Act ("motor-voter" bill), previously vetoed by Bush.
5. Passed the Family and Medical Leave Act, vetoed by Bush.
6. Restored First Amendment political rights for federal employees, vetoed by Bush.
7. Passed crime prevention measures and new funding for community policing in crime bill.
8. Targeted Chapter I funds to school districts with large numbers of poor children.
9. Passed a child immunization program that provides free vaccines to six million additional children, covering over 90 percent of American two-year-olds by 1996.
10. Passed legislation establishing national academic standards (Goals 2000).
11. Enacted voluntary national service and education prepayment program for youth.
12. Federalized college loan program.
13. Enacted an apprenticeship program for teenagers not going to college.
14. Passed California desert national park expansion.
15. Passed the Freedom of Access to Clinic Entrances Act (abortion clinic access).
16. Reformed the federal procurement process.

DEFICIT REDUCTION AND TARGETED FUNDING INCREASES

17. Cut federal deficit in half.
 18. Increased Head Start funding by 20 percent, expanding coverage by 100,000 children.
 19. Increased coverage of Women, Infants and Children nutrition and health program (for pregnant and postpartum women) by 300,000 families, and broadened food stamp aid by an additional \$2.5 billion over the next five years.
 20. Doubled the budget for aid to the homeless, to \$1.5 billion a year.
 21. Expanded housing project grants, including aid to first-time home buyers and permanent extension of low-income housing credits.
 22. Increased funding by 12 percent for legal services for the poor after years of Republican attempts to abolish the Legal Services Corporation.
 23. Doubled training funds for dislocated workers, to \$1.1 billion a year.
 24. Expanded AIDS public health services, including full funding of the Ryan White program.
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ADMINISTRATIVE ACTIONS AND APPOINTMENTS

25. Repealed abortion counseling "gag rule."
26. Revoked import ban on RU-486.
27. Stepped up consumer protection through Consumer Product Safety Commission and the Food and Drug Administration.
28. Revived antitrust enforcement, including first retail price maintenance cases since Carter.
29. Undertook industrial policy initiatives, such as government-industry Partnership for a New Generation of Vehicles, and defense conversion, including shift of federal research and development priorities to civilian technology and small-business defense conversion assistance.
30. Supported aggressive enforcement of National Labor Relations Act prohibitions against employers' unfair labor practices, including consideration of "equal access" rule permitting union representatives to respond to company anti-union propaganda on company property.
31. Stiffer fines by Occupational Safety and Health Administration for violations of workplace safety regulations.
32. Revoked Bush order for federal contractors to post open-shop notices.
33. Threatened to hold retailers responsible for violations of minimum wage and other anti-sweatshop laws by their suppliers.
34. Ended blacklist of fired air traffic controllers.
35. Stepped up response to equal opportunity complaints.
36. Toughened enforcement of Community Reinvestment Act, requiring banks to make loans in poor neighborhoods.
37. Adjusted census undercount to increase federal aid to urban areas.
38. Appointed most diverse cabinet ever, including five blacks, two Hispanics, and five women.
39. Introduced new antidiscrimination rules and procedures for gay civil service employees.
40. Redirected federal funds to scatter-site public housing.
41. Opened free internet access to federal documents.

JUDICIAL APPOINTMENTS AND COURT BRIEFS

42. Appointed Supreme Court justices who will secure the right to reproductive choice.
43. Achieved race and ethnic diversity in judicial appointments: African Americans, 22 percent (Reagan, Bush, Carter—5 percent); Hispanics, 8 percent (Reagan, Bush, Carter—2 percent); Women, 31 percent (Reagan, Bush, Carter—8 percent).
44. Appointed openly gay federal judges, subcabinet officers, and other officials, as well as persons with disabilities.
45. Supported right of colleges to seek diversity using race-based scholarships.
46. Defended public employers' consideration of affirmative action in hiring and firing decisions.
47. Supported retroactive application of Civil Rights Act of 1991.

INTERNATIONAL RELATIONS

48. Restored the democratically elected government of Haiti.
 49. Negotiated a cessation of North Korea's development of nuclear weapons.
 50. Signed the Rio Biodiversity Convention.
 51. Accelerated compliance with Montreal Protocols on global warming.
 52. Conducted tougher negotiations to open Japanese markets to American products.
 53. Funded international organizations that promote comprehensive family planning.
 54. Defended rights of women and reproductive choice at Cairo population conference.
 55. Reaffirmed strict interpretation of 1972 ABM treaty.
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more, judged his defeats harshly, and imposed false and unrealistic tests of political constancy that no president—certainly not Franklin D. Roosevelt or John F. Kennedy—could ever have met.

The Balance Scale Conceit

Many progressives rationalize diffidence about Clinton with a "balance scale" conception of politics. In this view, if conservatives argue flatly against reform, liberals should insist on more radical proposals in order to move the eventual compromise further to the left. However, progressive compromise results only if the center and left coalesce to provide moderate reform with majority support. The center itself cannot muster a majority simply because a left extreme offsets the right.

Consider the role of California liberals in health care reform. Last summer Democratic Senator Dianne Feinstein abandoned employer mandates and universal coverage and fatally wounded Senator George Mitchell's effort to build a majority for a revised version of Clinton's plan. At no point did California's highly articulate liberals apply pressure on Feinstein to support Clinton and Mitchell. Instead, many health care advocates and liberal groups campaigned for a single-payer ballot initiative. Thousands of enthusiastic volunteers collected signatures. Most proponents knew that this radical proposal had little chance of adoption (it garnered only 27 percent of the vote). But progressives defended their approach with claims that they were "really" helping the president, though they harshly criticized Clinton's plan for retaining private insurance. By mobilizing to demand a pure measure, activists explained, they would counter conservative attacks on all reform and create "space" in the center for Clinton's efforts.

Yet if this energy had been mobilized directly for the Clinton plan (with those volunteers organizing rallies or circulating petitions), Feinstein might not have dared

abandon it, and it might have survived. The "space" that progressives created was the running room for Feinstein to abandon Clinton and universal coverage.

The balance scale fallacy relies on superficial comparisons, such as the belief that union contracts emerge from compromises between extreme demands made by labor and management. Supposedly, the more outlandish proposals union negotiators make, the more favorable ultimate agreement will be. Yet contracts are never mere arithmetic sums of positive and negative proposals. Collective bargaining settlements reflect economic conditions and opposing sides' organizational strengths. If "space" for compromise could be manufactured by more extreme proposals, there would be no strikes, concessions, or other familiar results of union battles.

False New Deal analogies also feed the balance scale illusion. Some progressives suggest that just as militants inspired moderates to support the New Deal in the 1930s, so today's progressives should try to push national policy to the left. In this view, the Townsend movement for retirement benefits, Huey Long's "Share Our Wealth" committees, and Upton Sinclair's California EPIC campaign forced Roosevelt to support more modest social security and labor standards legislation, while John L. Lewis's mobilization of workers for industrial democracy made it necessary for Roosevelt to back the Wagner Act as a more modest alternative. In the '30s, however, most liberals gave loyal support to Roosevelt. Otherwise, he could not have enacted the New Deal, no matter how militant were minority supporters of radical demands. The balance scale worked only when centrists defeated radicals by recruiting the latter's base to more moderate proposals. Moreover, moderate conservatives did not obstruct Roosevelt's program for fear of the disorder that might spread if reform failed.

A similar concern about stability reappeared during the conflicts of the 1960s. Then, too, moderates embraced reform to

avoid more disruptive protest. Moderates also found it difficult to ignore demands for change because racial segregation and the Vietnam War raised questions about fundamental values, and militants refused to let Americans hide from hypocrisy.

But the instability and moral urgency of the '30s and '60s are absent today. No moderates supported Clinton's programs out of fear that radicals would shake the nation's foundations. Moderate Republicans did not worry that uninsured Americans might storm the Capitol if universal coverage were not enacted. When Senator David Boren opposed Clinton's stimulus package, no public demonstrations of moral indignation tugged at his conscience.

In the relative complacency of 1993-94, Clinton's progressive reforms could have prevailed only with enthusiastic majority support. When liberals indulge themselves with denunciations of Clinton's compromises, centrists will not fill the void to support a liberal agenda. The balance scale conceit is particularly dangerous because it rationalizes political irresponsibility, justifying liberal opposition with hopes that, by grace of an invisible hand, purism contributes to progressive victory. The conceit excuses unwillingness to share the burden of morally ambiguous compromise, of deciding which promises must be violated or which treasured goals must be sacrificed when confronted with opposing political force. These unpleasant decisions become the president's alone to make, while liberal confederates flatter themselves that their hands are clean and that their refusal to share responsibility helps move the administration in a progressive direction.

Fashionable Profundities

Liberals' abandonment of Clinton has also taken cues from political fashion. Many who claim to be disgusted by biased and hostile reporting about the administration nonetheless repeat media canards as substitutes for thought.

One of these common observations is that well meaning though he may be, the

president has made tactical errors that are responsible for his administration's failures. Of course, Bill Clinton has made mistakes, many of them. But too many progressives pretend that a tactical mistake is any move that happened not to succeed. Every failure cannot be anticipated; sometimes defeat comes at the hands of enemies, not from one's own misjudgments. The quick conclusion after each defeat that a better tactician could have succeeded is especially unreasonable coming from those who were no smarter than the president beforehand. For example, it's now fashionable to criticize Clinton for failing to push legislation earlier and thereby exposing his agenda to the fall 1994 Republican strategy of running down the clock. Perhaps so. But if Clinton had pushed more programs earlier, we would have criticized him for lacking focus and trying to do too much at once. In fact, that is exactly what many reporters said in his first year.

During the 1992 campaign, many criticized Clinton for being too vague about health care reform; later, he was condemned for sending a 1,352-page bill to Congress. Yet had he submitted only a statement of principles, Clinton would surely have been assailed for failing to provide the detail that could assure Americans that their complex interests would not suffer. In the aftermath of California voters' resounding rejection of the single-payer option, it requires a Panglossian optimism to insist that Clinton could have succeeded if only he had resisted the temptation to co-opt the insurance industry. Yet, today, many liberals continue to insist that Clinton's compromises were reform's undoing.

The media's demand for presidential candor has poisoned political life by imposing a moral standard we could never apply to ourselves, reporters, leaders of any public or private institution, and certainly not to past presidents. While progressives understand that we need leadership with high standards of public morality, they remain influenced by the media's obsession with leaders' private rectitude. Few believe

that marital conduct has anything to do with public leadership. Nonetheless, they implicitly accept the right's definition of the terms of debate about Clinton's private conduct. Waiting for "the other shoe to drop," they have been sheepish about defending Clinton against the media's phony moralism and the rumor-mongering right wing.

Liberals frequently criticize Clinton for moving to the center after having campaigned as a populist and economic progressive. Yet the assessment of mainstream analysts is that voters repudiated Clinton in 1994 because he had campaigned as a centrist but then moved to the left. While the dicta of professional pundits should not normally be taken too seriously, it's disturbing that liberals spend so little effort examining whether there might not be some real basis for the conventional view. In truth, Clinton shrewdly assembled an electoral coalition in 1992 by positing a program that both liberals and centrists convinced themselves mainly represented their views. It was perhaps inevitable that this coalition would fray when Clinton turned from campaigning to governing. And while the record is somewhat mixed, the inventory of administration accomplishments confirms that Clinton has been the most consistently liberal leader in recent history. In this sense, the pundits, not Clinton's liberal critics, are more on the mark.

Yet the characterization of Clinton as without a center, no longer knowing what he believes, is widely accepted. Too many liberals have indicted the president for frequently shifting policy, as if every negotiation and mid-course correction represents a betrayal of principle. The behavior we condemn in Clinton as vacillation historians praise as pragmatism in Franklin Roosevelt. Roosevelt wavered about economic policy through his first term. Bankers, brokers, and professors competed for his ear, but Bob Woodward wasn't there to provide near-contemporaneous accounts of jockey-

ing for influence. Liberal cartoonist Gary Trudeau depicts Clinton as a waffle. By that standard, FDR was milquetoast.

In foreign policy (at least until recent successes), it's been widely agreed that the president changed course too often, and even liberals sympathetic to Clinton's domestic initiatives all too frequently joined this chorus. But the 20 months he took to settle on Haitian policy is lightning speed when compared to Roosevelt's eight-year waffle over how to resist Japanese aggression in Asia, whether to come to Ethiopia's aid, or even whether to assist England after the Nazis overran Europe. On saving Jewish refugees, Roosevelt dithered until it was too late. Throughout his presidency, FDR changed course on foreign and military policy while juggling his views of national interest, moral imperative, and congressional tolerance. He obscured the truth about where he wanted to lead (his Lend-Lease deception is now legendary) and, far from being condemned, this dissembling is celebrated as genius.

It's silly to contrast Clinton's style with a myth of others' steady purposes. As noted above, the buck did a bit of meandering before it settled on Truman's desk. Historians now debate whether the Vietnam War would have escalated if President Kennedy had lived. From JFK's inauguration to his assassination, he waffled on Laotian and Vietnamese policy, never ultimately settling on a direction. White House decision-making was less transparent then; we're now aware of JFK's vacillation only from release of previously secret documents.

Whether Clinton is now seen as indecisive or forceful mostly depends on access that journalists have to deliberations before appointments or policies are announced. Reporters now pursue leaks; 30 or 60 years ago, they disclosed deliberations only in a mutually agreed, anonymous ritual: the trial balloon. That every half-considered sentiment is now reported inevitably feeds a perception of vacillation. Clinton may exacerbate his problems by excessive

candor. But while thinking out loud may be undisciplined, liberals who otherwise demand openness in government should hardly complain.

Our Middle-Class Guy

Bill Clinton's relationship to progressive intellectuals is different from that of his liberal predecessors in part because he is the first modern president to come from the intellectuals' own professional and academic circles. Franklin Roosevelt and John Kennedy were "traitors to their class" who assembled brain trusts of intellectuals, none of whom considered himself the presidents' social equal. Justice Oliver Wendell Holmes summed up FDR as a "second-class intellect but first-class temperament." Roosevelt and Kennedy were shrewd politicians, but they inherited wealth and power, if not the presidency itself.

Nobody considers Bill Clinton's intellect second class. Instead, intellectuals today recognize Clinton as a peer, "one of us," a fellow public school graduate. But ironically, this familiarity may breed contempt. FDR's and JFK's liberal advisers were honored to be consulted. In Clinton's case, social equality encourages too many to fancy, "I could do a better job," so Clinton rarely gets the adulation that effective political leaders customarily receive.

Also, the number of disappointed job seekers today is exceptionally large because of an explosion in size of this generation's professional class, particularly lawyers and professors. Clinton had 3,000 policy jobs to fill. For each, scores of qualified candidates might have been excellent choices. Many disappointed aspirants continue to believe that Clinton erred by rejecting them; each has dozens of friends who concur. This group's personal bitterness is especially damaging because many continue to wield public influence. *Time Magazine's* Michael Kramer, an early Clinton supporter, now calls him "Slick Willie"; Kramer, married to Judge Kimba Wood, was her aggressive promoter before Clinton chose Janet Reno as attorney general.

What Have You Done for Me Lately?

Liberal attitudes are infected with a self-centered ethos of victimization that influences both campus life and progressive politics. It may have roots in the civil rights struggles of the '60s when some black leaders rejected coalition politics and decided instead to emphasize the primacy of blacks' needs, the righteousness of their indignation, and the justice of retaliation. Tragically, many white liberals and minority activists adapted this outlook to other causes. The result on college campuses is the balkanization of progressive politics into groups and movements based on identification by ethnicity or sexual preference. Beyond the campus, activist groups too often feel morally justified in focusing on their own anger and immediate goals, with little attention to winning majority support.

Organized labor prides itself on political sophistication, yet in relations with the Clinton administration, it's distressingly self-absorbed. For example, an October 1994 front-page story in the *AFL-CIO News*, the labor federation's weekly newspaper, highlighted the National Labor Relations Board's (NLRB) newly intensified efforts to defend workers from employer unfair labor practices. The article described a dramatic increase in court injunctions to protect organizing campaigns and a new willingness of the board to issue "bargaining orders" without elections when firms' anti-union terror is so extreme that fair elections become impossible. Yet the article never mentioned Bill Clinton, nor did it credit him with the appointments of William Gould, the first African American and former union staffer ever to head the agency, and Fred Feinstein, the board's general counsel.

This silence is especially curious because labor publications aren't normally reticent about heaping praise on leaders. But as Ronald Brownstein of the *Los Angeles Times* reported, labor leaders claim "it's difficult to motivate the rank-and-file behind a president who . . . didn't exert much energy

when the anti-strikebreaker bill quietly died." Yet Clinton supported that legislation, which was defeated by a Republican and conservative Democratic filibuster. Do unionists think a new bridge in Kansas could have swayed Bob Dole?

Tunnel vision is not restricted to organized labor; it's shared by other liberal groups, apparently determined to let small or imagined disagreements overshadow shared objectives, who blame Clinton for opponents' political strength. The president advocated campaign finance reform in 1992 and supported it in Congress. But

Liberals have been unwilling to share the burden of morally ambiguous compromise.

when it fell to a Republican filibuster, Common Cause President Fred Wertheimer denounced Clinton, saying the bill failed in part because he "never made campaign finance reform a priority." After western rural forces defeated administration attempts to raise public grazing fees, some environmentalists faulted the administration; the Wilderness Society complained that the administration's proposal didn't recognize that some federal lands weren't "suitable for grazing in the first place."

Many African American leaders advocated an invasion of Haiti. When Clinton decided to go ahead but Congress threatened to deny funding, Jesse Jackson blamed Clinton with a venom that's all too common in progressive circles. "The widespread public skepticism about this mission is driven by an administration that has been criminally negligent in arguing its own case," Jackson said. The Haiti mission is the first time the U.S. has intervened in Latin America to defend the poor against oligarchy. Yet, in an extraordinary political slap, Amnesty International spokesman James O'Dea told the press: "When the president invokes human rights in . . . Haiti, he does a real double

disservice to victims in places like Columbia and Brazil by ignoring their plight."

Clinton dropped Lani Guinier's nomination only after Judiciary Chairman Joseph Biden and 24 Democratic senators told the president that Guinier's cause was dead and requested withdrawal. Clinton had to determine whether to pursue a doomed nomination or accommodate Senate allies by sparing them the necessity of a losing vote that opponents would exploit at the next election. It was a tactical judgment that the president properly should have made with the balance of his agenda uppermost in mind. Yet many civil rights and feminist leaders were unrestrained in denunciations of Clinton's reluctant concession. People for the American Way called Clinton's "cave-in" a "betrayal of basic fairness." Roger Wilkins called it "a disgraceful performance." Black Caucus leader Kweisi Mfume said that Clinton had betrayed his pledge to bring about change. Since then, we have heard nary a peep in praise of Clinton for his subsequent choice of Deval Patrick for the post, even though Patrick has reversed 12 years of hostility to civil rights by Reagan-Bush appointees.

There may be no cause too small for liberal activists to condemn the president for not making it his highest priority or for taking half a loaf rather than none. Leaders of each liberal advocacy group understandably wish President Clinton to make their cause his highest priority, but he can't possibly fulfill each such wish.

To be sure, Clinton has his imperfections. As someone seriously interested in the complexities of policy, he may take too long deciding between alternatives. Contrary to liberal criticism that he's too quick to compromise, he may instead needlessly delay cutting his losses when faced with a probable defeat. But it's hard to imagine how any Democratic president elected in 1992 with so thin a majority could have made Congress do his bidding. If there was an easy solution to dilemmas like Bosnia or Somalia, nobody proposed it. Unfortunately, the fact that Clinton operates in both a

legislative and foreign policy context that demands extensive compromise has produced judgments about his character rather than his situation.

Democracy and Majority Coalitions

Sam Rayburn said he mistrusted those in politics who hadn't, at least once, run for sheriff. In local election campaigns, candidates can't win on moral appeals without counting votes to assemble the support of 50 percent plus one. Clinton campaigned for Congress and attorney general in rural Arkansas, but most liberal activists no longer begin political careers that way. It's a shame, because most no longer have an instinctive feel for appealing to majorities.

An exception is union field organizers, habituated to seeking NLRB election victories by the tiniest of margins. They learn to suppress demands of union militants and appeal to swing voters whose alienation from their employer is more modest. Yet most contemporary progressive activists with organizing experience have backgrounds not in labor but in community action where majority support is not always at issue. Some remain influenced by Saul Alinsky's advice to "rub raw the sores of discontent," deliberately risking majority antagonism to force concessions from the powerful. This skill is poor preparation for democratic leadership.

The failure of American liberals to think in majority terms has been a theme of the Democratic Leadership Council. While the DLC's policies may be too conservative, its emphasis on building majorities is essential. Liberals need to have greater empathy for the twists and turns of Clinton's presidency and an understanding that when Clinton compromises some ideals to accomplish others, he's making our compromises, not only his own.

Politics and Leadership

Today, most liberal intellectuals are ashamed to express enthusiasm for political leadership, expect inevitable betrayal, and fear losing intellectual independence and

moral purity. For some on the left, this fear of leadership is reinforced by a collective memory of disastrous flirtations with Stalinism. For others, suspicion of authority is rooted in Vietnam, Watergate, and other experiences of the 1960s and early 1970s.

But this skepticism has been carried too far. Majority movements can't be built without some sacrifice of constituents' political independence. Condemnation of compromise may not always be the most moral course. Certainly, leaders must sometimes take principled stands regardless of consequences, but more often they must compromise to advance a virtuous agenda.

Defeats of Clinton's program in the first two years did not stem only, or mainly, from liberal purists' failure to support achievable compromise. Dole and Gingrich, Boren and Nunn might well have sunk daggers into the Clinton agenda no matter how vigorously liberals supported it. Today, regardless of liberals' stance, conservatives are positioned to stop further progressive reforms, and to roll back much of what has been accomplished since the inauguration.

It will take even more self-discipline for liberals to defend Clinton now than it took before. The substantive compromises will be even harder to swallow. Liberals can balk, if they choose; Henry Wallace redux is always an option. But there's at least a chance that the compromises may be less severe if liberals provide Clinton with stronger support.

When more senior Democrats shrank from challenging a seemingly invincible George Bush, Bill Clinton volunteered to lead. He's been trying to do so ever since, despite inevitable mistakes in timing, tactics, policy, and judgment. What remains possible after the midterm election will be more limited than what we hoped for earlier. But to advance a progressive agenda, and to defend the liberal elements of our social structure from being radically undercut, liberals owe this president their support, even their enthusiasm. They may not like everything he does. But if he fails, their causes will go down with him. ♦

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Do Poor Women Have a Right to Bear Children?

Christopher Jencks and Kathryn Edin

Affluent adults seldom consider the possibility that others may have to choose between accepting public assistance or dying childless. We prefer to believe that if everyone would act responsibly, they would all be able to support their children without government help. We are particularly keen on three forms of responsible behavior: delaying parenthood until you are in your twenties, getting married before you have children, and staying in school.

But even if everyone pursued these goals single-mindedly, a significant minority of the population still could not afford children without some kind of government help. When the Clinton administration unveiled its proposals for revamping Aid to Families with Dependent Children (AFDC), it said the plan "signals that people should not have children until they are ready to support them." Yet for many poor women, that time will never come. Sad to say, there are neither enough good jobs nor enough good husbands to provide every American woman with enough money to support a family.

Are we to assume that the losers in this lottery have no right to bear children at all? And, if not, are we really prepared to enforce this principle and all of its implications? These questions lie at the heart of the debate over welfare reform, yet neither liberals nor conservatives seem willing to face them squarely. Instead, they tell themselves fairy tales about how if everyone would just "play by the rules" they would all be able to support a family without government help.

Fairy Tale #1: If teen mothers simply held off parenthood until their twenties, they would have enough money to raise a family. TV commentators, magazine ar-

ticles, and public service advertisements have claimed for years that teenage motherhood ("children having children") is a major cause of poverty. The administration apparently endorses this view, claiming that "welfare dependency could be significantly reduced if more young people delayed childbearing until both parents were ready to assume the responsibility of raising children." The fact sheet accompanying the administration's welfare proposals supports this claim with a dramatic statistic: 40 percent of current welfare recipients had their first child before their nineteenth birthday.

The administration is right when it claims that early childbearing is correlated with subsequent welfare receipt. But everyone knows, or ought to know, that a correlation of this kind is not sufficient to prove causation. Women who have babies as teenagers differ from those who wait in

a multitude of other ways, many of which affect their economic prospects. To begin with, teen mothers tend to come from troubled homes. In an effort to separate the effects of family background from the age at which women became mothers, Arlene Geronimus from the University of Michigan and Sanders Korenman from the University of Minnesota compared sisters raised in the same family. They found that women who had had their first child while they were teenagers ended up only a little poorer than their sisters who had waited.

Family background aside, most teen mothers have also had trouble in school. Their grades and test scores have usually been below average, and they are more likely to have been in disciplinary trouble than women who delay motherhood. Many attend schools where below-average students are written off at an early age. Because of these problems, many teenage mothers quit school even before they become pregnant. When a teenager comes from a troubled family, has learned little in school, and has left school without graduating, she is unlikely to be economically self-sufficient no matter how long she delays motherhood.

Fairy Tale #2: If single mothers got married, they wouldn't need welfare. Those who see welfare dependency as a by-product of irresponsibility argue that even dropouts with low test scores could stay off welfare if only they would marry before having children. Once again the correlation is clear. Women who have a child out of wedlock are at least three times as likely to need welfare as women who have their children while married. But that does not mean two-thirds of unwed welfare recipients could have made themselves self-sufficient by marrying the man who fathered their children.

If a would-be mother wants to stay off welfare, she has to find a husband who can pull his weight economically. Although the federal poverty threshold for a married couple with two children is currently about

\$15,000, a two-parent family in which both adults work and pay for child care needs at least \$20,000 a year (and probably closer to \$25,000) to cover its basic needs. (This estimate is based on studies of family budgets in four big cities, which we discuss in more detail later.) If family income falls below that level, the mother is usually better off on welfare, where she gets both Medicaid and food stamps and has no husband to support, no child care bills, and no work-related expenses. In families where both parents work, the man usually earns about 60 percent of the income. Thus, for marriage to make a mother better off than she would be on welfare, her husband must usually earn at least \$12,000 a year. There are not enough men (or jobs) like that to go around.

In 1989, just before the recent recession, there were 22 million American women between the ages of 25 and 34. About 20 million of these women either had a child or wanted one. Fewer than 16 million men of the same age had annual incomes above \$12,000. Some of these men were gay or reluctant to marry for other reasons. Others were philanderers, wife beaters, substance abusers, or child molesters. By traditional American standards the number of acceptable husbands was probably no more than two-thirds the number of women who wanted children.

Marrying a man with an unstable work history or low wages is not a good formula for avoiding welfare. These days more than half the women who marry such a man can expect their marriage to end in divorce; and when that happens their ex-husbands are unlikely to be either willing or able to pay much child support.

Fairy Tale #3: If teen mothers finished high school before having kids, they could get good jobs. Recognizing that marriage is no guarantee of economic self-sufficiency, American women have been staying in school longer and acquiring more specialized occupational skills than they did a generation ago. Nonetheless, only a minority can support children on their earnings

alone. In 1989, a single working mother with two children needed about \$15,000 worth of goods and services to make ends meet. Less than half the 25- to 34-year-old women who worked in 1989 earned that much.

The nature of this problem becomes clearer if we look at the National Longitudinal Survey of Youth, which began following a representative sample of 14- to 21-year-olds in 1979. At the beginning of the study, participants were given the Armed Forces Qualification Test (AFQT), which measures vocabulary, reading comprehension, computational skills, and ability to reason quantitatively. When Gary Burtless looked at 25-year-old women who were getting AFDC, he found that 72 percent of them had scored in the bottom quarter of their age group on the AFQT. Half were also high school dropouts.

While high school dropouts with low test scores often found some kind of work, their wages averaged only \$5.50 to \$6.00 an hour (in 1991 dollars). Nor did their earnings rise as they accumulated more labor market experience. After adjusting for inflation, Burtless found that these women earned only 25 cents an hour more when they were 29 years old than when they were 21. Nor does earning a high school equivalency certificate (technically known as a Certificate of General Educational Development, or simply a "GED") seem to increase their earnings. Recent research shows that high school dropouts with a GED earn no more than those who lack one. Nor does the short-term job training that most states now offer welfare recipients boost their hourly wages—though it does help them find work, so the money is not wasted.

Women with low test scores who finish high school on schedule do earn \$1 to \$1.25 an hour more than those who drop out. But that does not mean today's dropouts would earn an extra \$1.25 if they stayed in school. Much would depend on what they did with their time while they were in school. Adolescents are desperate for respect. Those who are not good at schoolwork

usually find that the easiest way to maintain their self-respect, at least in the short run, is not to work hard but to define school as "irrelevant" and find friends who do the same. If a teenage girl does no schoolwork, it is hard to see how keeping her enrolled will make her more valuable to her future employers. Having a diploma may help her get a job that someone else would otherwise get, but if everyone stays in school this "sheepskin effect" will disappear. Keeping everyone in school for 12 years will only boost wages if it makes the former dropouts more productive, and productivity is unlikely to rise unless students are learning something.

How Much Money is Enough?

If a mother of two had worked 40 hours a week and earned \$6 an hour in 1991, her income would have been just above the federal poverty line. Since millions of American families reported incomes below the poverty line, one might think that \$6 an hour should be enough to support a family. In reality, however, that was seldom the case.

For the past few years Laura Lein and one of the coauthors of this article (Edin) have been interviewing poor single mothers in the Boston, Chicago, San Antonio, and Charleston (South Carolina) areas, asking them about their household budgets. Welfare mothers typically reported getting \$565 a month from AFDC and food stamps. If we treat food stamps as cash, that puts their official income at 65 percent of the poverty line. But not one of the 214 welfare mothers Lein and Edin interviewed was living on her official income alone. All of them had additional income from unreported work, under-the-table payments from the fathers of their children, or gifts from boyfriends and relatives. This income, which averaged \$311 a month, brought the typical welfare mother's budget to the poverty line. If we add in the value of what Medicaid spent on her family's health care, the figure rises to around 130 percent of the poverty line. If we include the value of means-tested housing

subsidies, the figure is even higher. Yet almost all these mothers were struggling to make ends meet. Many were doubled up in someone else's home, getting by without a telephone, or going hungry at the end of the month.

The 165 working mothers whom Lein and Edin interviewed spent even more than welfare mothers, and they too were unable to live on their earnings alone. In addition to paying an average of \$75 a month to get to work and about the same amount for Social Security, most also had to pay their own medical bills, since their employers seldom provided health insurance. Working mothers' actual outlays for doctors and medicine were relatively modest, because those with high medical bills almost always stayed on AFDC. But if all single mothers worked, their medical care would cost far more. According to some HMOs, it would cost around \$300 a month to provide health care for the average AFDC family, which is roughly what Medicaid now spends for those without any certified disability.

The same logic applies to child care. Single mothers who earn \$5 or \$6 an hour cannot afford to pay market rates for child care. At present, therefore, those who cannot persuade a relative to watch their children or find subsidized child care seldom work. But if we want all single mothers to become economically self-sufficient, we have to assume that they will mostly pay market rates. Lein and Edin found many welfare mothers who wanted to work, but few who thought they could get free child care from a relative. That was one of the main differences between welfare recipients and single mothers in low-wage jobs, many of whom got either free or very cheap child care from their kin.

On Chicago's South Side, where child care is cheaper than in Boston but more expensive than in Charleston or San Antonio, day care centers typically charge \$270 a month to watch a preschool child. Poor mothers would probably select centers charging less than the average, but licensed providers almost always charge at least

\$200 a month. After-school care for older children is only a little cheaper than all-day care for preschoolers. A welfare recipient who has two children under the age of ten, no relatives willing to watch them, and no subsidized care, must therefore budget at least \$350 a month and often more.

These estimates suggest that if we want welfare mothers to pay their own way, and if they have the usual run of health problems, they will need another \$800 a month on top of what they now spend to balance their budgets. That would bring the typical working mother's budget to \$1,800 a month in today's money. Lein and Edin found that single working mothers generated close to \$300 a month from absent fathers, boyfriends, and family members. Thus, if their needs were comparable to those of welfare mothers, they would have to earn \$1,500 a month to get by without government help. If they earned less, as most do, they would need subsidized child care, medical care, or housing, food stamps, or cash from the Earned Income Tax Credit.

Most Americans find all this hard to accept. Most of us see "dependence" as an inherently pathological condition. We badly want to live in a society where all people can "stand on their own two feet." Nonetheless, most of us admit that some cannot achieve this ideal. That is why we have disability benefits for the physically disabled, the mentally ill, and the mentally retarded. Our problem is that we define "disability" very narrowly. Americans can qualify for benefits only if a panel of experts agrees that they cannot do any work whatsoever.

For every schizophrenic who is completely out of touch with reality, there are half a dozen other adults who have trouble getting along with a boss or coworkers and therefore don't hold any job for a long period. Likewise, for every victim of Down's syndrome who cannot write her name, there are half a dozen others who can read and write but have trouble figuring

out what their boss would want them to do in any unfamiliar situation. Such people cannot handle a job that entails much discretion or responsibility; they are employable, but they will be the last hired and the first fired. When the labor market is tight and no one better is available, someone will usually give them work. But in today's economy they are unlikely to find steady work that pays enough to support a family. When these people have children, they constitute the "hard core" of the welfare population. Many get off welfare, but they mostly return again. This is the group that will be hit hardest by a two-year time limit.

As long as America remains committed to competitive labor markets, open borders, and weak labor unions, most marginally employable adults will need some kind of public assistance if they have children. That leaves legislators with three choices: they can prevent marginally employable adults from having children, let them have children but give them no economic help, or let them have children and give them enough help to keep their children out of poverty.

Baby Blockers?

Many welfare-bashers would like to prevent the poor from having children. They think most welfare recipients are irresponsible or incompetent parents living in communities that breed lawlessness and promiscuity. Perhaps equally important, they think of welfare recipients as black idlers who live off the labor of industrious whites.

But those who would like to prevent the "underclass" from reproducing have never devised a plan for doing this that stands a chance of winning broad political support. The problem is not that the public is deeply committed to the principle that everyone should be able to have children. Rather, the problem is that we cannot predict in advance which children might eventually need welfare. Nearly half the children on welfare in any given month were born to parents who were married at the time of

their birth, and most of these parents had enough money to scrape by while they were married. If we tried to prevent married couples from having children until we could be sure that they would not need AFDC even if they separated, we would have to regulate the most intimate behavior of millions of married people. Not even the far right wants that. The politics of such a regulatory process would, moreover, be made even more explosive by the fact that the regulators would be mostly white while their targets would be disproportionately black and brown.

As we have noted, the odds that a couple will eventually turn to welfare rise sharply if they conceive a child out of wedlock. But some unmarried parents marry before their child is born, and others can earn enough to stay off welfare even if they do not marry. If this country were China, we might require all unmarried couples to use Norplant until they got a certificate of economic self-sufficiency. But such a scheme would not receive much support here. The right prefers to pretend that unmarried couples do not have sex, while the left opposes any policy that treats the poor differently from the rich. Besides, such a scheme would probably run afoul of the Supreme Court, which still recognizes the basic right to reproductive privacy set forth in *Griswold v. Connecticut*.

Given these constraints, those who want the poor to have fewer children usually emphasize the importance of moral or cultural norms that discourage poor people from having children they cannot support. That is clearly President Clinton's stance. But while it may be possible to get the poor to delay childbearing for a few years by making the economic or social rewards larger, we find it hard to imagine that many poor women would voluntarily go to their grave childless.

Almost all humans enjoy sex. Most women (and many men) also find infants extraordinarily appealing. Social engineers who seek to promote childlessness must therefore offer women an attractive alterna-

tive, such as becoming the bride of Christ or the head of a Fortune 500 corporation. Neither the Clinton administration nor the Republican party has anything of this kind to offer. A lifetime of minimum-wage work is certainly not likely to do the trick.

Even women who want babies may, of course, decide not to have them if the economic consequences are sufficiently grim. That is why legislators who want to discourage unwed motherhood try to cut AFDC benefits. No one is quite sure whether cutting AFDC works, however. Statistical analysis usually shows that when other things are more or less equal, states with low AFDC benefits have somewhat fewer single-parent families than states with high benefits, but the difference is seldom large and in some analyses it vanishes altogether. This pattern suggests that the proportion of single-parent families might have risen even faster over the past generation if legislators had not let AFDC benefits lag behind inflation after 1975. It does not suggest that welfare played a major role in the spread of single motherhood.

Nonetheless, some conservatives, such as Charles Murray, think that eliminating AFDC would help curb the trend toward single-parent families. To test this theory, it is useful to look at Mississippi, which has never offered more than token benefits and currently gives a single mother with one child only \$96 a month. Despite such tightfistedness, Mississippi's children are more likely to grow up in single-parent families than those in any other state. That is partly because Mississippi children are very poor and disproportionately black. But if limiting AFDC to \$96 a month does so little to deter single parenthood, it is hard to see how eliminating AFDC entirely would do much more.

Murray's answer is that Mississippi also gives single mothers food stamps and Medicaid, which are worth far more than \$96 a month. He wants to eliminate these programs as well. But what would this

mean in practice? Would there still be hospitals and doctors that gave the poor free care, as there were before Medicaid was established? Or would doctors simply refuse to treat sick people who are poor? Hardly anyone favors the latter solution. But if the poor could still get medical care, why should changing the way we finance it deter poor women from having children? Eliminating food stamps poses similar problems. If we replaced food stamps with soup kitchens and food pantries, we would probably not deter many poor people from having babies. If eliminating food stamps meant that a lot of poor children went hungry, the electorate would vote in liberals who promised to bring food stamps back again.

Mississippi's experience suggests that we would need truly draconian sanctions to make a substantial dent in the number of adults who have children they cannot support. That leaves legislators with only two real choices. They can emulate Mississippi and offer poor parents minimal support—food and medical care but little else—or they can try to make sure that poor families' other basic needs are also met.

Most liberals prefer the generous approach, arguing that material deprivation does poor children permanent harm. We share this prejudice, but we have not been able to find much solid evidence that poverty per se harms children over the long run. We have not found any careful study of whether children who spend time on welfare do significantly better when they live in generous states. Many social scientists have shown that poor children learn less in school, leave school younger, commit more violent crimes, get worse jobs, and have more babies out of wedlock than affluent children. But once again mere correlation is not sufficient to demonstrate causation.

Adults are usually poor because no employer values their services. If parents lack the skills that employers value, they are not likely to be good at helping their children acquire these skills. So when we find that poor children do badly in school, we have to ask whether this is because their parents do

not feed them properly or because their parents cannot help them much with schoolwork. Likewise, when we find that poor children have more than their share of disciplinary problems at school, we have to ask whether this is because they are snubbed for not having the right sneakers or because their parents have always dealt with their misbehavior by yelling or slapping instead of explaining. At present, we do not have good answers to such questions.

Where does this leave us? Common sense suggests that generous government support for single parents is likely to have two offsetting effects on children. First, it is likely to help children in single-parent families. Second, it is likely to increase the proportion of children who grow up in such families, which is likely to be a bad thing. Unfortunately, neither common sense nor social science can currently tell us how large either of these effects is. That makes it impossible to say whether the net impact of generous support is positive or negative.

In the absence of persuasive evidence, both politicians and ordinary citizens rely on ideology to tell them what the facts are. Conservatives hate unwed motherhood more than they hate poverty, so they tell one another that the next generation of children would be better off if we made AFDC even less generous than it now is. Liberals hate poverty more than unwed motherhood, so they insist that the next generation would be better off if we gave single mothers more help.

Clinton's welfare proposals try to appease both camps. He wants to make most welfare recipients work after two years, which appeals to conservatives who think such a requirement would deter unmarried women from having babies. But Clinton also wants to ensure that single mothers who work end up better off than they now are on AFDC, which appeals to most liberals. Overall, this strategy probably made political sense at the time Clinton formulated it. Indeed, we advocated this

general approach in the first issue of this journal ("The Real Welfare Problem," No. 1, Spring 1990). But the details of the president's proposals are no longer as important as the political climate in which Congress will rewrite them. That climate has obviously moved far to Clinton's right. Over the next few months conservatives will try to strengthen the proposed work requirement, and they will probably succeed. They will also try to curtail benefits for working mothers. They may well produce a bill that not only makes all single mothers work after two years but makes them worse off in a low-wage job than on welfare.

The table on page 50, "Will Work Pay?," shows what might happen to a welfare mother's disposable income given several different scenarios. The income and expenditure estimates are for Chicago, where AFDC benefits are close to the national average, and describe a mother with one preschool child and one school-age child. Since we have no way of knowing how many Chicago welfare mothers would be able to get free child care from relatives or how many would find subsidized day care, we include separate estimates for each possibility. We assume that children are in a licensed program but that former welfare mothers, being poor, will choose a program costing considerably less than the citywide average.

Our first scenario assumes that Congress passes no new health care legislation but that both children were born after 1983. That means both children still get Medicaid even if their mother leaves AFDC, so long as her income does not exceed the federal poverty line. In this scenario the entire family gets free health care if the mother stays on AFDC, the children get free health care if she takes a minimum-wage job, and no one gets free care if she earns \$6 an hour. We assume that the mother's medical expenses are equal to what Medicaid now spends on the average AFDC recipient who is not disabled. This may be a bit misleading. Most working mothers will spend less than the average in most years. Every so often they

Will Work Pay?

Expected income in 1993 dollars of a Chicago welfare mother with two children on AFDC or in a low-wage job

	AFDC	\$4.25 per hour*	\$6 per hour*
Total Income:			
AFDC	\$4,428	—	—
Food Stamps	2,928	\$2,256	\$1,380
Earnings			
Unreported	2,200	—	—
Reported	64	8,840	12,480
EITC (as of 1996)	—	3,370	3,058
Absent Father	560	1,760	1,760
Relatives and Boyfriends	1,437	1,437	1,437
Other	738	738	738
Total	12,355	18,401	20,853

Income less work-related expenses:

Current law: Children below poverty line get Medicaid. Working adults pay for their own medical care.

1. Mother finds free child care	12,355	14,847	14,745
2. Mother pays for child care	12,355	9,903	9,801

Clinton proposal: Low-income working families get free health care.

3. Mother finds free child care	12,355	16,494	18,394
4. Mother pays for child care	12,355	11,550	13,450

* 40-hour per week job

Sources: Income estimates for AFDC recipients are from 62 individuals interviewed by Edin in 1989-91, converted to 1993 prices. Earnings, food stamps, EITC, and Social Security for employed adults are from the Department of Health and Human Services and assume 1996 EITC rates. Payments by absent fathers to working mothers are from Edin's interviews. Transportation costs are set at \$900, which is the difference in transportation outlays between low-income single mothers who work and those on AFDC from Edin's interviews. Rent increases in subsidized units follow federal guidelines. Assume that 25 percent of AFDC recipients now live in subsidized housing. Childcare costs are set midway between the mean and the lowest value reported to Chicago's Daycare Action Council and average \$2,626 for a preschool child and \$2,318 for a child needing afterschool and summer care. Health care costs are based on Illinois Medicaid outlays for nondisabled AFDC recipients and average \$1,647 for an adult and \$1,001 per child.

fare mother can get free child care, taking a minimum-wage job will raise her income by about 20 percent, from \$12,355 to \$14,847. If she has to pay market rates for child care, she will have about 20 percent less money in either a minimum-wage job or a \$6 an hour job than she has on welfare. The conclusion seems clear: if we do nothing to change our present system of health care financing, a single mother with two children has no economic incentive to take a low-wage job unless she can obtain child care. If she has only one child, she will do about as well working as on welfare.

The next two scenarios follow the Clinton administration's script. All low-income mothers get free health care. If they also manage to find free child care, they are much better off economically when they take a full time job than they were on AFDC. But the administration is unwilling to make any political enemies in order to ensure that poor mothers receive free child care. As a result, its proposal does not include enough new federal spending to reach this goal. Our fourth

will have a serious problem that costs a lot. If they have no insurance, Chicago mothers with serious problem will usually be treated at Cook County Hospital and may never pay the bill. In many cases, moreover, they will lose their job, making them eligible for Medicaid.

Our assumptions suggest that if a wel-

scenario shows that those who have to pay for child care and have only a minimum-wage job will end up a little worse off than they are now. Those who earn \$6 an hour will, however, be a little better off. Those with only one child will also be a little better off.

One also can envisage proposals that fall

between these extremes. Suppose, for example, that all children in families with incomes below 150 percent of the poverty line get Medicaid. Working adults can all buy coverage through their employer, but they must bear the entire cost themselves. For women who take minimum-wage jobs, this scenario looks no different from the status quo: Their net income rises about 20 percent if they can get free child care and falls about 20 percent if they have to pay market rates. For women who take a job paying \$6 an hour, however, this scenario looks considerably better than the status quo, because their children now receive Medicaid. It is important to recognize, however, that any health care reform that forces low-wage workers to buy their own insurance may make them worse off, since it will force them to pay a lot of bills that currently go uncollected.

It is also important to ask what will happen to women who cannot find a job after two years on AFDC. Under the administration's plan they will have to work in the JOBS program, which will offer minimum-wage work. Participants will receive free child care and Medicaid, but unlike those who work in the private sector they will not be eligible for the Earned Income Tax Credit (EITC). They will also find it harder to do off-the-books work, since they cannot be two places at once. JOBS participants will therefore end up somewhat worse off than AFDC recipients now are. If Newt Gingrich has his way, JOBS itself may be time limited, or even eliminated.

For the least-employable welfare recipients, and for those whose child care options are unusually expensive or bad for the children, the human cost of these changes is likely to be substantial. First, more children are likely to be left alone during the day, increasing the odds that they will busy themselves with activities that are dangerous, illegal, or both. Second, more women will be driven into the underground economy, selling sex or drugs to make ends meet. Third, more women will live with men who help pay the bills but who also abuse them or their children.

Even before the elections it looked as if Congress might well pass a welfare reform bill so punitive that no compassionate person could support it. Now that looks even more likely. If Clinton were a more determined advocate for the poor, he might veto such legislation. But Clinton won conservative votes in 1992 by talking about "two years and off." That kind of talk helped create today's political climate, in which gradual and humane reforms are widely seen as fiddling while Rome burns. If Clinton is to run again, he will need a few victories over the next two years. The odds that he will veto any welfare proposal that reaches his desk therefore seem low. The last best hope for unskilled single mothers is therefore likely to be the Senate, where a liberal minority could use the threat of a filibuster to bargain for something approximating the administration's proposal. But welfare mothers have become so unpopular that Senate liberals may no longer be willing to defend their interests.

No matter what Congress does, single motherhood is not going to vanish. At most, it will become slightly less common. That fact poses a challenge for liberals as well as conservatives. Liberals need a new way of talking about single parents. Our rhetoric must recognize that children usually do better when they grow up with both their biological parents, but it must also be realistic about the reasons why so many parents fail to achieve this goal. We need to admit that single parenthood is a problem, but without encouraging the kind of punitive moralism that Americans find so seductive. On this score Clinton gets very low marks.

The way we talk about staying in school might provide a useful model for how we ought to talk about getting—and staying—married. Every American knows that attending college raises young people's chances of being able to support a family, just as getting married does. Children whose parents have not attended college do worse in school, get into more trouble with the

law, and become less productive adults than children whose parents graduate from college, just as children raised in single-parent families do. Knowing all this, most adults urge children to finish high school and attend college. We also use public funds to subsidize such behavior. But when young people do not attend college, we do not tell them that they are immoral or irresponsible.

Nor does the president tell young people who have not attended college that they should not have children. Quite the contrary. When he was running for president Bill Clinton recognized that most Americans who had not attended college faced serious economic problems, and he talked about using public money to help solve these problems. His agenda included universal health care, expanding the EITC, more job training, and more subsidized child care. Only the EITC expansion passed. But subsidies for job training, child care, and health care are still generally accepted as legitimate devices for helping working Americans who are in economic difficulty.

The Clinton administration's commitment to these programs suggests that when it claims people should not have children they cannot support, it is looking for votes rather than trying to help the public think through a difficult political and moral problem. The administration knows that millions of Americans could not support their children without some kind of government help. When it says that people should not have children they cannot support, it just means that they should not have children if they will need help from one specific government program, namely AFDC. What that really implies, at least to this administration, is that people should not have children unless they are willing and able to take partial responsibility for supporting their children by working.

Combining single parenthood with a job is always hard. If a mother has limited skills and has trouble finding or keeping a job, this ideal will sometimes be unworkable. That fact does not discredit the ideal. It may

well be important for every child to grow up in a family with at least one working adult. But we should recognize that some single parents may not be able to manage that much.

We also need to recognize that many conservatives have very different priorities. They think that women should only have children if they get married first. These conservatives might be willing to accept AFDC in roughly its present form if eligibility were limited to women whose marriages had broken down, and if benefits were tied to the family's previous earnings record, the way disability and unemployment benefits usually are. What they cannot stomach is the fact that women without husbands now have a right to bear children at public expense. Making government support for such women contingent on their finding a job misses the point. The truth is that many conservatives care more about "family values" than about the work ethic. They might be willing to help children born out of wedlock if they could do so without helping the parents, but they would rather not help anyone than subsidize illegitimacy. That is why so many conservatives are beginning to talk seriously about bringing back orphanages.

That position will probably win votes, but it raises a host of practical questions because there is no politically feasible way of limiting the right to reproduce. At present, America does not even bar adults from having a child when their behavior is so irresponsible that the courts have judged them unfit parents and have put their earlier children into foster care. A crack addict can lose her children, for example, but she cannot be deprived of her right to have more children.

If we are unwilling to bar crack addicts from having babies, it is hard to imagine that we will prevent people from having children simply because they cannot hold a steady job. Yet if we let the marginally employable have children, surely we have an obligation to meet these children's basic material needs. ♦

The New School Wars

How Outcome-Based Education Blew Up

Peter Schrag

When the Bush administration first embraced it five years ago, the idea seemed like good conservative education theory and the most promising device around to improve academic standards in American schools. The “it” was “outcome-based education,” and OBE was going to help make Bush the “education president.” At its core was a fundamental shift in education policy from a focus on inputs—hours spent in class, years of schooling completed, courses taken, dollars spent—to the definition and measurement of academic outcomes. OBE fit perfectly with the increasingly fashionable idea of school decentralization. The state would promulgate guidelines and develop assessments for what students should know and do; the local school would determine how to reach those goals.

The standards and assessments, moreover, were to be “criterion referenced,” meaning they would be based on what students had to know in the real world (thus presumably closing the gap with the Germans and the Japanese), not normed, as they had always been, according to what the average student was doing. Chester E. Finn, the most innovative educational thinker in the Reagan and Bush administrations, pushed hard for OBE, and it became part of Bush’s America 2000 education proposals. The idea also became a cornerstone of Bill Clinton’s education program, now enshrined in Goals 2000—the Educate America Act—which Clinton signed last spring.

But a funny thing happened to OBE on the way from Checker Finn’s embrace to its implementation in the classroom, and thereby hangs a revealing tale about why it’s so hard to reform American schools. Mention outcome-based education now to the religious conservatives at Citizens for Excellence in Education (CEE) or the Na-

tional Association of Christian Educators, with which CEE is affiliated, or to the conservative members of Focus on the Family or Concerned Women for America or Phyllis Schlafly’s Eagle Forum, and they’re likely to become apoplectic. Depending on the version, they insist, OBE is either nonsensical mumbo jumbo or part of something very sinister: undermining children’s religious faith, promoting “politically correct issues such as environmentalism, gun control and homosexuality” in the words of Rutherford Institute President John W. Whitehead, and thus representing “one of the most frightening assaults on individual freedom we’ve ever faced.” OBE, says former Education Secretary Bill Bennett (who happens to be one of Checker Finn’s heroes), has become a tool for the education establishment to advance its own social

agenda: "a Trojan horse for social engineering."

In the past couple of years, pitched battles have been fought over OBE and related programs from one end of the country to the other: in Pennsylvania and Virginia, Washington and California, Kentucky and Oklahoma, and a great many local com-

The progressive education establishment will invite a paralyzing backlash unless it begins to appreciate the sources of resistance to reform.

munities in between. In some instances, those fights have been over shadows: a story in a new state curriculum guide that seems to some group to question the primacy of heterosexual marriage as the foundation of social life, or that suggests to someone that maybe the writer is trying to foist vegetarianism and animal rights on the tender minds of fourth graders.

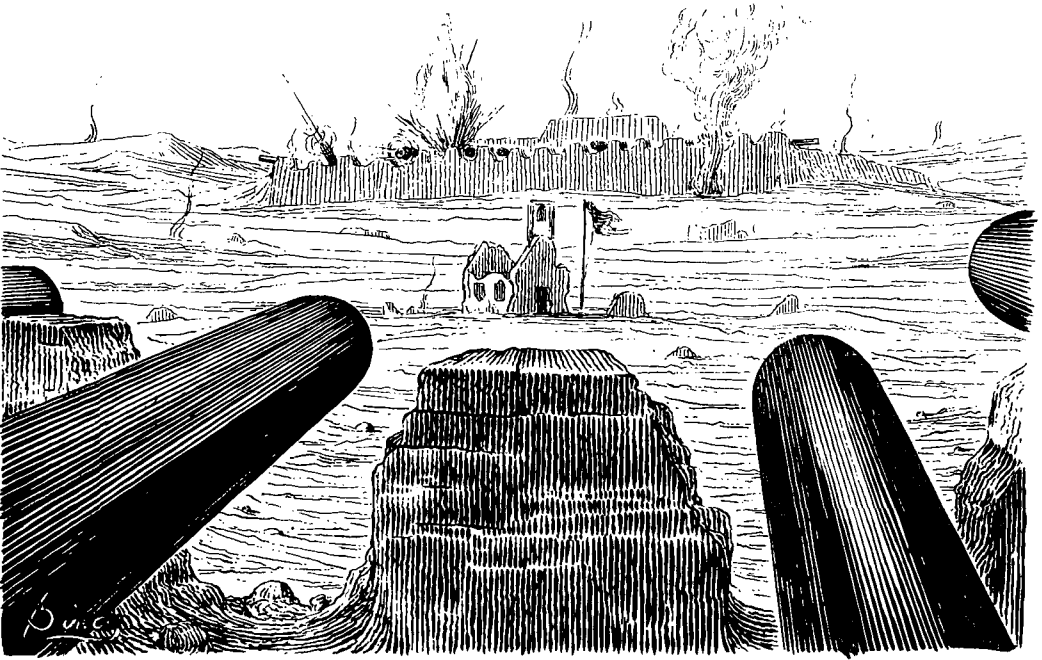
But to dwell on these phantoms of the new school wars would distort a far more complex story. This is not only a controversy between an ever-reasonable education establishment and the know-nothing right, as the annual textbook censorship reports of the liberal People for the American Way seem to suggest; nor is it just a fight against attempts by the forces of political correctness to capture the hearts and minds of our children, as conservatives like Thomas Sowell or Dinesh D'Souza would have it. At bottom it reflects genuine social, intellectual, and ideological controversies about how children should be taught, what they should learn, and what, ultimately, schools should be in a democratic society. Unless the progressive education establishment begins to appreciate the sources of resistance to reform, it will invite the kind of paralyzing backlash we have seen in many areas of our national life.

Lost in the Translation

The OBE fights have raised important educational and ideological issues. If OBE was a welcome answer to conservative impatience with the constant emphasis on school inputs (which usually meant demands for more money), few people noticed that it also dovetailed nicely with a major liberal agenda: to get rid of objective testing and rote learning in favor of so-called performance-based assessment—more open-ended essay questions, more problem solving, more analysis, more emphasis on "higher-order" reasoning, perhaps even more creativity. At the very pinnacle of OBE guru William Spady's "Demonstration Mountain" was something called the "transformational zone," where assignments transcend the bounds of specific academic disciplines and require "real world... complex role performances," sometimes called "authentic assessment." For all its jargon, Spady's pinnacle seemed to be precisely what a lot of employers were looking for: applicants with social skills, the ability to work cooperatively, tolerance of people of other races, and skills suited to solve practical problems. In many states, the Business Roundtable was a major booster of OBE-type reforms.

But OBE also lends itself to monumental mushiness, and when state departments of education produced their new OBE guidelines for local districts, they often included such outcomes as "positive self-image," "environmental stewardship," "openness to change," "appreciation of diversity in others [and] appreciation of the global community," "interpersonal competencies," "a willingness to question things," and "holistic learning." Those criteria not only brought the Christian right into the battle, sometimes with barrages of misinformation; they also made a great many other parents nervous. Were students going to be tested on this stuff? Were school curricula going to be based on it? OBE, Finn said recently, "was hijacked."

Spady, who is a full-time private consult-



ant on OBE to school systems and state education departments, says those outcomes aren't integral to OBE. As Spady sees it, things got "mistranslated" on the way down: "Values, attitudes, and psychological states like self concept and tolerance are not outcomes and cannot be measured." The important thing, in his view, was to free local districts from the time requirements and curricular boxes that are staples of all education codes: so many years of English and math; so many hours in class. The purpose, he says, is not to impose new mandates but to free schools from the old ones. But he also speaks of stressing "broad attitudinal, affective, motivational and relational qualities."

Whatever his intent, affective OBE set off fights in scores of places. In Pennsylvania and Virginia OBE became a major political issue that, in the words of CEE, was nothing less than "a battle between secular humanists and persons who believe in Judeo-Christian values." OBE, CEE charged, might eventually include gay and lesbian studies; the initiative would lead to the collection of data on the personal moral beliefs and values of individual students, and then to the development of means of altering

those beliefs. In the end, OBE was withdrawn or blocked in Virginia, Ohio, and Oklahoma, at least temporarily stopped in Connecticut, and, after a school board was recalled, repealed in Littleton, Colorado, where it had been in place for more than two years. While it survived in Pennsylvania, it did so only after the state agreed to downplay the affective goals and to guarantee that students would not be assessed on them. Yet OBE remains the theoretical cornerstone of the Clinton education reform program and, depending on the definition, versions of OBE are in place in a growing number of states. Among them, according to the nonpartisan Education Commission of the States, are Kentucky, which has overhauled its entire education system, Oregon, Utah, and all overseas U.S. military dependents' schools. Meanwhile, in places like Florida, the battle goes on.

From Dewey to Pumsy

The struggles over OBE resonate with echoes of curriculum fights past—fights about the inclusion of the United Nations and one-worldism in the social studies curricula of the 1950s and 1960s, fights in the

teaching of reading between phonics and look-say, fights over the "open school" and between child-centered and discipline-centered learning—fights, most commonly, between traditionalists and Deweyan progressives. The religious right continues to resist the inclusion of *Catcher in the Rye* and *Of Mice and Men* in high school English courses and is still battling furiously to give what it calls scientific creationism equal time with evolution (and, if some of them

had their druthers, more than equal time). Liberals are still complaining about Huck Finn and prayers at school graduation exercises.

But the new ideological controversies are loaded with a great deal of additional freight, much of it derived from the national uncertainties about multiculturalism and from escalating mandates that schools educate all students from that great diversity at least through the twelfth grade, which has

The New War Over the Past

Given the current debate over multiculturalism, any set of national standards for U.S. history courses would probably generate controversy. But the National History Standards Project at UCLA, which recently released its draft standards under the federal Goals 2000 program, has so loaded its proposal with revisionism that it's asking for a lot more controversy than necessary. That overreaching not only jeopardizes what in other ways is a far more solid, interesting, and academically demanding approach than the conventional history program; it may also undermine the entire national effort to establish tougher curriculum standards.

Even before its release, the proposal, which was funded by the U.S. Department of Education and the National Endowment for the Humanities (NEH), came under attack. Lynne Cheney, who headed NEH in the Bush administration and thus helped sponsor this project, blasted it in the *Wall Street Journal* as a loaded document whose "authors save their unqualified admiration for people, places and events that are politically correct." As examples, she cited the heavy doses of multiculturalism, as well as an obsession with such things as McCarthyism (19 references), racism (the Ku Klux Klan gets 17 mentions), and mistreatment of indigenous peoples—all coupled

with relatively little attention to some of the core developments and figures of American history.

Cheney's charge that the Constitution is barely mentioned is flat wrong; the Constitution and the issues surrounding ratification—the shortcomings of the Articles of Confederation, the major compromises at Philadelphia, the debates in the ratifying conventions—get plenty of attention. The proposal also has some inspired suggestions about the issues students should consider, the organization of the subjects, and the readings and supplementary materials, such as art, stories, and novels (although one wonders how much of that will be left once such proposals get translated into the average classroom). No less significantly, the project rescues topics such as the European clash with aboriginal peoples from the obscurity to which conventional history courses consigned them.

But much of the Cheney criticism hits close to the mark. Hardly a page in the pre-Civil War portion of this 271-page book doesn't go out of its way, sometimes far out, to hold up a multicultural prism in viewing whatever it can—the Declaration of Independence, the Revolution, or the nation's economic expansion. There are also extended sections on state and federal Indian policy. And there are places in which the

never been done anywhere. Those mandates pile yet more demands on the already excessive burdens of the schools—AIDS education, sex education, tolerance for ethnic diversity (and often for diversity in sexual preference as well), environmentalism, animal rights, inclusion of even the severely handicapped in regular classes, classes for 14-year-old mothers, and programs to enhance self-esteem. In New York, the chancellor orders the schools to “in-

clude references to lesbians and gays in all curricular areas” and requires that they be treated as “real people to be respected and appreciated.” In Southampton, New York, school officials cancel a student production of *Peter Pan* after some local Indians complain that the song “Ugg-a-Wugg” is offensive. In Flushing, the same fate befalls an elementary school production of *Annie Get Your Gun* after somebody complains that the word “gun” might encourage violence.

selection of suggested readings reflects not so much historical importance as ethnic and gender balance.

There’s a similar tilt in the draft’s version of the postbellum period: constant references to strikes and exploited factory workers, reform movements, and the problems of the cities. All of these are appropriate. But one looks in vain for any serious appreciation of the goods and wealth those factories produced or for any reminder that the immigrants, in addition to being exploited by sweatshops and landlords, helped shape U.S. society and achieved one of the great triumphs of modern history. In addition, as Cheney points out, McCarthyism gets lots of space, but if there is any reference to the threat of communism or Stalinism in the discussions concerning the Cold War—much less to the oppression they produced—it’s unnoticeable.

The sections on World War II and what follows are particularly telling. George S. Patton and George C. Marshall get no mention (but then neither do Robert E. Lee or John Joseph Pershing or Chester Nimitz). While there are some passing references to military strategy in World War II, they are overwhelmed by questions about the justification for the dropping of the atom bomb, about whether Norman Rockwell’s paintings of the Four Freedoms were “accurate,” and no end of stuff about the mistreatment of Japanese-Americans. If

there is any concern for the sacrifices that nearly all Americans made for their country or how the nation rallied in common, patriotic purpose, they, too, are too subtle to discern.

What may be most troubling about these standards, however, is simply the absence of any sense of celebration or triumph. In this version, the country seems to be one long list of problems, controversies, and prejudice. In rectifying one form of historical neglect, this approach fosters another one that’s at least as dangerous, far more divisive, and perhaps just as inaccurate.

The draft standards still must be approved by the National Education Standards and Improvement Council (NESIC), which was created by the Goals 2000 education bill that Clinton signed in 1994. But few people seem to doubt that approval will come. Combined with the restiveness generated in the states by such things as California’s CLAS tests and by what seems like an increasingly well-organized conservative parents movement, such standards look like a perfect hot-button social issue for Republicans to use against Clinton in 1996.

Anxiety about national standards and the erosion of local control first emerged when Goals 2000 went through Congress. Standards like these can only intensify the anger against liberals and further diminish chances for any real national attempt to upgrade curricula for a long time.

— Peter Schrag

In Lake County, Florida the local board, reacting to the miasma of "multiculti" relativism, orders that American culture be presented as "superior to other foreign or other historic cultures." In a Texas district, Santa's name comes off the classroom wall because it's an anagram of Satan.

And then there's Pumsy, a blue dragon in an elementary school series of self-esteem books who is a little short of self-confidence because she doesn't breathe enough fire and who finally gets it together through the power of positive thinking: "I am me," goes a Pumsy anti-drug mantra, "and I'm okay." (Shades of the *Reader's Digest* of the Eisenhower era). For the 210,000 member CEE, the trouble with Pumsy is that she becomes too self-reliant, thereby undermining the authority of parents, teachers, and organized religion. CEE has waged war on Pumsy all over the country; in 1993 People for the American Way listed Pumsy as one of the leading targets of attempts by the religious right to censor school curricula. But you surely don't have to be a religious fundamentalist to wonder whether trying to generate self-esteem ahead of (or apart from) genuine achievement isn't getting things backward. A few years ago, "Doonesbury" did in the cult of self-esteem better than all the forces of CEE.

A great many of those new cultural imperatives, and particularly those focused on equity and diversity, have now become part of the civic religion of the public schools. It thus shouldn't be surprising that conservative ideas like OBE lose (or gain) a great deal in translation as they move toward the classroom. The problem is compounded by the proclivity of the schools for "whole-hoggism": No curriculum change is ever gradual.

Thus, when it's decided that concentration on the basics—the refrain of the late 1970s and 1980s—leaves kids unable to solve real problems or to develop what the trade calls "higher-order skills," the tendency is not just to modify the curriculum but to substitute a new one. And so "whole language" reading programs are instituted

to emphasize the comprehension of literature, not just the decoding of words and sentences. But instead of retaining things like phonics, the new syllabus in California now tells teachers they should never teach phonics except in the context of a "whole language" framework. That, the critics charge, probably with some justification, has helped to drive California's fourth-grade reading scores down to forty-eighth in the nation, just above Mississippi's. But don't worry, say the state guidelines, if the kids can't spell the words or remember the multiplication tables; the mechanics should always be subordinate. "Early memorization of number facts is seen as a hindrance rather than a help in developing mathematical understanding," the guidelines say. The important thing is that the student gets the general idea. Similarly, the influential National Council of Teachers of Mathematics calls for "a shift toward mathematical reasoning... toward conjecturing, inventing and problem solving—away from an emphasis on mechanistic answer-finding."

That may sometimes be a perfectly sensible proposition. But when it hardens into all-purpose doctrine, it has no more validity than what the progressives call drill-and-kill. And, of course, it drives a lot of traditionalists nuts.

California's CLAS Struggle

And so we come to what may be the most revealing of the contemporary ideological curriculum battles, the fight last spring over CLAS, the California Learning Assessment System, a so-called performance-based test. In 1991, when Republican Governor Pete Wilson enthusiastically signed the bill authorizing its development, CLAS, like OBE, was expected to become a major instrument for driving the public schools toward higher academic standards. It was also supposed to be a model for the Clinton school reform program. CLAS tests were to be given in grades four, eight, and ten in reading, writing, and math, and in grades five and ten in history, social science, and natural science,

and would require a lot more than fill-in-the-bubble answers to multiple-choice questions. The tests would demand analysis, problem solving, and comprehension based on global criteria. Since each test was to provide individual scores for each student, as well as average scores for each school and district, it would also send a persuasive message to the many complacent parents who thought, contrary to most international comparisons, that the A's and B's their kids were getting in school really meant they were doing well.

But last June, after a series of increasingly embarrassing disclosures, Wilson killed CLAS's funding. Several months later he killed a bill extending and reforming CLAS. By then complaints about the test had come not just from the religious right but from the teachers unions, the state school boards, and a wide range of others who had once been strong backers of the test. These groups now objected that the questions intruded into the personal lives and beliefs of students; that in shifting to open-ended questions the basics were all but ignored; that the reading samples offended religious sensibilities and, in some cases, contained racial stereotypes to boot; and, worst of all, that CLAS didn't measure the things it purported to measure.

Some of the early attacks on the test, which was first given in 1993, were just plain silly: that an Alice Walker story about a Christian (black) woman who marries a Muslim fosters religious relativism; that a child's musings in an Annie Dillard story about a snowball fight were too violent; that another Alice Walker essay on the life of a horse was "anti-meat-eating." In some cases, the complaints parodied themselves. CEE, which was one of the leaders of the fight from the start, complained that on an arithmetic item in which fourth graders were asked how they would divide five apples among four people, the preferred answer was one apple apiece, with the fifth going to the neediest. Nobody could ever produce evidence for such an item, but since state officials, for legitimate security

reasons, never disclosed all the test questions, no one could ever prove that the item didn't exist. Still, it seemed reasonable that when some districts asked to be exempted from the test—a number were hit with parent lawsuits filed by the Rutherford Institute, which now regards itself as the civil liberties union of the religious right—the state Education Department argued that they ought not give in to a bunch of religious nuts.

At that point, however, a host of other problems began to emerge. While the department, in its first trial of the test, wisely decided not to give individual scores and to confine its reports to school and district averages, the *Los Angeles Times* learned that

It's striking how quickly our struggles about curriculum ideas escalate into quasi-religious controversies over social or moral absolutes.

in several hundred schools, those averages were based on the test results of a handful of students and in some cases on no more than one. But that disclosure paled next to news about the test items themselves, particularly on the reading portions. Those items, instead of first asking specific questions about the reading passages, asked students in the fourth grade to note down their "thoughts and feelings about this story." Tenth graders were asked to tell their "first response (ideas, questions, or opinions)." Thereafter they were invited to tell "what it means to you . . . how it relates to your own life, or whatever else you think is important." There were also cartoon-type balloons (or empty heads) to fill in with words or pictures describing what the characters were thinking.

Defenders of the test, echoing the conventional (and depressing) classroom wisdom, argued that, far from being intrusive, such questions reflected standard class-

room practice; there was no way to engage kids in the reading unless it was directly related to their own lives. Moreover, they said, in another bow to current fashion, different children learned and expressed themselves best in different ways—hence the empty heads and the invitation to students to draw pictures.

But if the questions were not intrusive invitations to discuss personal and family problems, they were at least self-referential. They demanded not answers and analysis that would show how well the student had read and understood the text but “your first response” (in the tenth grade) or “your thoughts and feelings” (in the fourth). If this was a test of anything, it was a test of writ-

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ing, not of reading. It seemed to foster the idea that no literary text had content, much less merit, that could be objectively understood and analyzed; it existed only as a mirror of the reader's own experience. It was hardly surprising, therefore, that a lot of people, including Wilson's own secretary of education and child development, were asking why there weren't at least some objective, short-answer questions on the test.

Yet if the reading test suggested the embrace of the prevailing education establishment ideology, the solitary sample of the fifth grade science test that the Department of Education provided fairly shouted it. The item, titled “Don't send it to the landfill!,” was devoted to the proper disposal of household waste. Given a bagful of “trash,” the students were told to think about the properties of such items as tin, paper, and glass, sort them, and then dis-

cuss the best methods of disposal. Finally, they were told, “The landfills in our state are running out of space! Write a letter to Governor Wilson telling him how we can reduce the amount of trash we send to our landfills.” (All exclamation points in the original.) “This isn't science [but] propaganda,” *Los Angeles Daily News* columnist Linda Seebach wrote. Just as important, in many respects the test was factually wrong and economically misleading.

What made the prospects for CLAS's performance-based future particularly dim was the fact that the independent statistical validation that Wilson ordered (from a group of psychometricians headed by Lee Cronbach of Stanford) cast grave doubts on the possibility that the test could be made reliable for the individual scores that the test was supposed to provide. It was hard for anyone to develop much confidence that a score of 4 in Bakersfield was the same as a score of 4 in Eureka, much less in what the standards were for either. American Federation of Teachers President Al Shanker, who has vigorously pushed for higher school standards, has predicted that it will take 20 years to develop reliable performance-based tests, and there was nothing in CLAS to suggest he's wrong. But that did not prevent FairTest, the Cambridge-based organization that opposes objective testing with something approaching religious fervor, from immediately concluding that it was the Christian right that had done CLAS in.

Escalating Battles

It's striking how quickly our struggles about curriculum ideas escalate into quasi-religious controversies over social or moral absolutes. The right sees a conspiracy by the federal government and its secular humanist legions to strip parents of control over their children and inculcate them with relativistic values, witchcraft, and satanism. The left looks at every parent who walks into a principal's office complaining about a book or a school assignment as a tool of religious fanatics. A generation ago people

who challenged the absolute primacy of phonics were attacked in school board fights as socialists; now FairTest regards anyone too devoted to the SAT as, at the very least, an unconscious racist or sexist.

In the face of such heat, and in the absence of vigorous centrist forces speaking for parents, it's not surprising that politicians and school bureaucrats tend to capitulate easily—formerly (and in some places still) they gave in to the official demands of Rotarians, America firsters, and the organized right; in recent years they more often bowed to the trendier demands of multicultural correctness. Until a generation ago, most textbooks were carefully calibrated not to offend southern segregationists and militant anticommunists, and were only condescendingly conscious of American groups other than WASP males. That in itself was an improvement from the first decades of the century, when textbooks were laced with stereotypes about Jews, Italians, Chinese, and blacks (to quote *The Great School Legend*, Colin Greer's classic study) as "mean, criminal, immoral, drunken, sly, lazy and stupid in varying degrees." Nowadays, by contrast, they tend to be closely tailored to make certain that all races and both genders are proportionately represented, even where the authors have to scratch to find examples—Clara Barton and Susan B. Anthony, yes, but Sarah Winnemucca? Those described as people of color are unfailingly cast in a positive light. In California, one state office does nothing but make certain that the pictures in textbooks offend none of the current shibboleths, from ethnic balance in all occupations and activities, to proper diets and proportional representation of persons with various handicaps. Where anthropomorphized animals are shown, even they must be balanced by gender.

Probably the best indicators are the textbooks, which have to withstand scrutiny from scores of special interest groups and which have undergone a stunning transformation. As Gilbert T. Sewall, director of the American Textbook Council,

points out, in latter-day revisions of venerable textbooks like Lewis Todd and Merle Curti's *Rise of the American Nation*:

Liberal crusades and activism receive uncritical accolades. Two photographs of protestors in wheelchairs and a third captioned, "A woman with visual impairment demonstrating for civil rights," reflect the force of pressure groups on the shape of schoolroom history. So do profiles of Native Americans Russell Means and Wilma Mankiller. The 1974 Bilingual Education Act receives prominent attention as a multicultural initiative. The 1946 Employment Act shrinks to two sentences. The saga of the postwar computer industry vanishes; the computer is presented instead as a machine that helps "make the workplace safe for people with disabilities." Recent American letters are represented by Gish Jen, Sandra Cisneros, and Jessica Hagedorn.

There is no shortage of horror stories; Richard Bernstein has a string of them in his recent book, *Dictatorship of Virtue: Multiculturalism and the Battle for America's Future*. There is the well-rehearsed story of the battle over the Rainbow Curriculum ("Fostering Positive Attitudes Toward Sexuality," including homosexuality) in Queens and the "ice people" versus "sun people" racism of City University Professor Leonard Jeffries. Then there's the bitter battle over the attempt to eliminate a popular advanced placement European history course at Brookline High School in Massachusetts, apparently because it ran counter to the multicultural orthodoxy of both the faculty and the national professional organizations. Bernstein cites a series of official reports, all with the same message: that, to quote a New York commission, all young people are being miseducated because of "a systematic bias toward European culture and its derivatives."

Such stories all leave the same question: Are they aberrations or illustrations? And while the answer is complicated—there are

not likely to be many PC-infested business or engineering schools—the elementary and secondary schools, particularly outside the rural South, seem to be showing a pronounced tilt toward the mushy and the therapeutic. That's true whether one looks at the prevailing rhetoric and literature of the National Education Association, the state education departments, the teacher colleges, or the textbooks.

The tilt toward the therapeutic shouldn't be surprising in an age when schools are supposed to succeed with almost everybody (or at least when it's so hard to toss anybody out). But neither should it be surprising that conservative parents and organizations have become increasingly militant and tend to see ominous child-snatching conspiracies even where none exist: fears that, in the name of tolerance, the system is promoting homosexuality; fears that in the face of the (legitimate) prohibition of school prayer, schools are peddling all sorts of New Age mumbo jumbo and sanctioning every sort of sexual promiscuity; fears that the move away from objective tests and traditional rote-and-drill basic education is really a dumbing down instituted for the benefit of those groups—guess who?—that always score below average on the bubble tests. With the passage of Clinton's Goals 2000, says James Dobson, who heads Focus on the Family, "the National Education Association, which supports every anti-family cause from homosexual activism to abortion and condom-mania, has finally achieved the prize it has pursued for decades: control of the nation's children."

But if the right's rhetorical excess isn't new, neither is the wider historical ignorance. When exactly was the presumptive golden age? The editorial writers of the *Wall Street Journal* and the ideologues who are convinced, with Thomas Sowell, that American education these days is mostly deception, decline, and dogma, conveniently forget that the wonderful standards of the past applied to only a small fraction of the students. The majority were stuffed

with rote learning, much of it fatuous. They dropped out after the sixth grade, and went to work laying streetcar tracks or shoveling coal in steel mills. Even after World War II, the schools kept things under control: On the one hand, they ignored diversity (and, of course, maintained segregation) and, on the other, they kept the curriculum, textbooks, and syllabus as bland (and "basic") as possible. The multiculturalists did not invent anti-intellectualism in American education. But they are making their contributions.

We have always been ambivalent about what we want of schools: to teach values, but whose values? To socialize children but according to whose norms? To pursue equality, but equality only of opportunity or also of result? The stakes seem to keep getting higher. The more the schools embrace hot-button social agendas that they are ill-suited to perform—tolerance of gays, self-esteem, environmental correctness—the more likely it is that the resulting fights will threaten not only reform but the schools themselves. We have banned prayer in the schools as too divisive, but we have yet to understand that a lot of other things currently fashionable among educationists carry similar hazards.

For people like Checker Finn, Bill Clinton, or former California school superintendent Bill Honig, who was the real father of CLAS, the goal of educational reform is to turn out literate, numerate students who can think clearly, know something about the world, and have a commitment to America's civic values and standards. Their aim has been to reassert the primacy of the academic, as opposed to the social, agenda of the schools but to assert it in standards higher—and, because they invite thought and the expression of opinion, riskier—than the "basics" that the right wing embraces. However, if those goals and the tests that accompany them also include the wider social and affective agenda of the education establishment, there can be nothing but controversy and gridlock, and possibly worse.♦

Bank Failure

The Financial Marginalization of the Poor

Louis Jacobson

As Ross Perot might say, there's a great sucking sound coming from America's poor neighborhoods these days—the sound of large chunks of paychecks and benefit checks flowing into the pockets of check-cashers, at five times what it would cost a typical bank to provide similar services.

Thanks in part to deregulation, bank branches have closed in low-income communities since the early 1980s, and check-cashing outlets have often taken their place. Meanwhile, another institution that more affluent Americans know only from old movies and short stories—the pawnshop—has made a big comeback among the poor. The flight of the banks not only means that the poor must now pay more for financial services; it also means their communities are losing the institutions that promote personal savings. It is an irony of the recent era of economic policy: While commentators regularly preach sermons on Americans' low rate of savings, public policy has contributed to the erosion of savings institutions for the poor.

The replacement of regular banks by check-cashers and pawnshops, or "fringe bankers" as they are known, ought to trouble people across the political spectrum. Whatever their other differences, liberals and conservatives generally agree that saving is a good thing and that public policy ought to encourage it. The historical development of many of America's financial institutions, from mutual savings banks to credit unions, reflects a long commitment to the promotion of savings among lower-income Americans.

Since the 1980s, however, progress in incorporating the poor into the banking mainstream has ground to a halt. Indeed, we may well be going backwards. Surveys

sponsored by the Federal Reserve Bank show that between 1977 and 1989, the percentage of households holding a deposit account changed little among the four highest income bands, but in the fifth—the poorest—account ownership dropped more than 11 percentage points. And while the rates for whites hardly varied during that time, the proportion of minority households with a bank account dipped almost six percentage points.

Reasonable people differ about what or who (if anybody) is to blame for this decline. The primary cause is probably the decline in real incomes among the poor;

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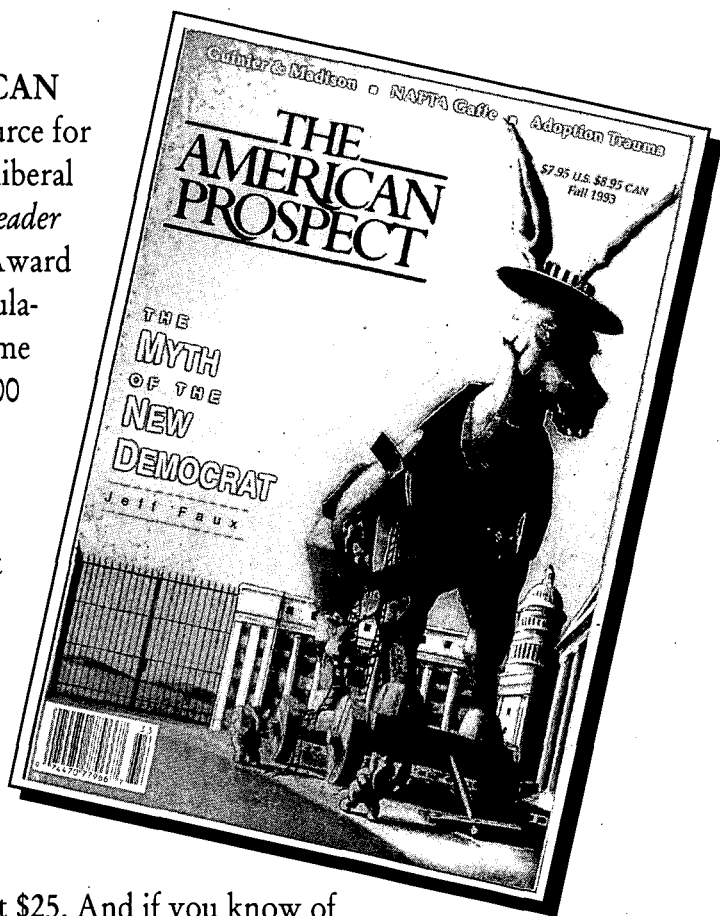
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adequate evidence to resolve questions about causation isn't available. But it cannot help that poor communities are losing access to banks. The rise of fringe banking, says Allen Fishbein, general counsel for the Center for Community Change, an advocacy group for low-income neighborhoods, "underlines the decline of the universal banking system."

Up From Under the Mattress

Early in the nation's history, commercial banks catered to the rich; everyone else stored what little extra money they had in the proverbial mattress. But, as Swarthmore economist John P. Caskey explains, in the 1820s and 1830s wealthy Americans with a sense of civic duty began to create a new kind of institution, the mutual savings bank, to target the growing middle class. Mutuals were cooperative savings banks that shared profits among depositors, hoping they would be so inspired by the exhortations in their passbooks ("a penny saved is a penny earned") to graduate to more traditional banks.

By the early twentieth century, visionary businessmen such as Edward Filene, of Basement fame, sought to widen the community of savers even further. They borrowed an idea from Germany that became known in America as the credit union—a nonprofit institution owned by lower- and middle-income depositors who shared the same occupation. Credit unions, with restricted lending opportunities but certain legal advantages over banks, continue to flourish today.

Also in the early part of this century, the government loosened regulations on finance companies. Finance companies, which today include such familiar names as Home Finance Corporation and the Money Store, lent money to lower-income customers whom commercial banks considered too risky. Meanwhile, borrowing another European idea, some civic-minded Americans opened non-profit pawnshops.

The most radical plan was the postal savings system, a simple savings and payment scheme operated, for most of this century, from post office counters. The system reached its apex before the Great Depression, when it offered just about the only federally insured deposit accounts. But after federal insurance was extended to commercial banks during the New Deal, the postal banks withered away until they were finally abolished in 1966.

In the years since, there have been further attempts to bring lower-income Americans into the banking system, from the advent of savings and loans to the Community Reinvestment Act of 1977 (and its strengthened revisions of 1989), which pushed banks to serve lower-income customers. Despite their many limitations, these efforts have, on the whole, succeeded in their central objective: banking and saving are far more common for most Americans today than they were when their grandparents were young.

The Banks' Getaway

With financial deregulation in the 1980s, the historical movement to include the poor in the financial mainstream came to an end. Deregulation changed the business of banking in lower-income neighborhoods in two ways. Banks have always had an incentive to close unprofitable branches, but the competition stimulated by deregulation pushed many banks to act on those incentives. With deregulation, they no longer needed approval for branch closings. Regulators also began to welcome policies favoring locations in affluent areas because they helped raise bank profitability. In addition, per-check fees and minimum deposit levels, once nonexistent, rose dramatically. Few doubt that this helped push away some lower-income depositors who once used banks regularly, despite the widespread offers of "no-frills" bank accounts.

With the traditional banks gone, fringe banking took off. The dimensions and sources of their growth have been laid out

by Caskey in a new book, *Fringe Banking: Check-Cashing Outlets, Pawnshops, and the Poor*, published by the Russell Sage Foundation. Caskey found that telephone listings of pawnshops increased 80 percent in the five years leading to 1992 and that check-cashers doubled over four years in that period. According to the National Check Cashers Association, cashers now process 150 million checks a year worth \$45 billion, generating about \$790 million in fees. The few states that lack interest ceilings or have the highest ceilings, where pawnbrokers often charge 240 percent interest a year, are home to the majority of such shops. Caskey emphasizes that the profile touted by press reports—gritty, inner-city locations that serve a predominantly African-American clientele—is only accurate in the Northeast. Elsewhere, such outlets also operate in working- and middle-class neighborhoods, often suburban, and serve mostly whites.

A recent report on check-cashers wryly calls them “one of the few growth industries in lower-income communities.” The report, by veteran consumer activist Mark Green, shows that despite population increases, since 1978 Brooklyn has lost 14.3 percent of its bank branches and the Bronx has lost 19.9 percent. Green, who is now the elected public advocate for the city of New York, reports that “in both boroughs, bank closings disproportionately affected the poorest neighborhoods.” Check-cashing outlets, which were hardly new (and benefited from loosened rules on their locations), filled the void. From 353 establishments operating in New York State in 1981, such outlets increased by 44.5 percent by the early 1990s.

The disparity in access to banking services is apparent from another local study, sponsored by the Los Angeles city council. The council found that in a 40-square-mile region of South Central Los Angeles, 133 check-cashers and only 19 banks served 587,000 people in 1991. Nearby Gardena boasted 21 banks for 49,800 residents.

There is nothing new, of course, about

reduced access and higher prices for services in poor communities. David Caplovitz described the phenomenon in a 1963 book *The Poor Pay More*, which focused on installment credit. Financial deregulation in the 1980s allowed banking services to follow the same pattern. Caskey estimates that a family of four earning \$10,000 would today spend \$211 using check-cashers for a year; at \$16,500, a family would spend \$325 a year and at \$24,000 a year it would spend \$456. Pawnshops take even bigger bite. By comparison, if the same families used banks, they would spend about \$60.

But if they cost more, why are check-cashers and pawnbrokers booming? For one thing, fringe bankers have their finger on the pulse of low-income communities. Surveys suggest that customers are satisfied with the services they receive from check-cashers, which include convenient locations, flexible hours, short lines, ancillary services such as bus passes and lottery tickets, and, perhaps most important, immediate cash without waiting for a check to clear. Allen Fishbein, who works to convince traditional banks to return to low-income areas, admits that check-cashers were one of the few businesses to return to Los Angeles immediately after the 1992 riots. (They operated from the back of trucks.) Pawnshops, too, have long been willing to overlook a client's lack of creditworthiness when lending.

As a result, although surveys differ, at least a sizable minority of check-cashing customers also have deposit accounts. The problem is with the others, who too often have been robbed of the chance to own a convenient deposit account because of bank flight.

Defenders of the banks argue, correctly, that automated teller machines in low-income neighborhoods have filled in some of the banking-services gap. However, ATMs cannot compete with the range of services that check-cashers provide, nor can they serve the traditional educational functions of banks, such as teaching customers about

different saving and borrowing options. Given the absence of marketing outreach by the banks in poor areas, it's hardly surprising that the check-cashers' customers—whom studies show to be not only poorer but also less educated than average—are unaware of the price advantages banks can offer.

Compounding the gulf between banks and the urban poor is a divergence in banking needs. Recent immigrants who send funds to their families abroad—a growing sector of the check-casher clientele—have less need for a savings account than for convenient wire transfers. Language barriers (combined with a lack of education and a dearth of banking experience) complicate attempts to explain consumer choices, so non-English speakers are tempted to stick with the easiest option, even if it is expensive. For all their convenience, ATMs can hardly handle such questions.

Substituting check-cashers for banks generates some indirect costs to the poor, beyond the higher prices for services. For one, patrons of check-cashing outlets only receive signals to spend, not to save (right down to the lottery machines). They are also prime targets for thieves: Green's report highlights a growing trend of robberies near check-cashing outlets. And the absence of local bank branches makes it difficult for many residents to get loans or other services a bank might provide. This not only worsens the historical problem of redlining—that is, when banks avoid loaning money to residents and businesses in low-income areas—but also creates a vacuum that fosters the growth of occasionally unscrupulous and often usurious mortgage brokers that satisfy the lending demand.

The larger worry in all this is the financial marginalization of the poor. A bank account symbolizes economic participation. It's also vital for building a credit rating, for example. The growing detachment of the poor from the culture of banking and saving threatens to push them even

further from the middle class. It is unclear whether a general cultural shift de-emphasizing thrift may have contributed to the decline in account-holding by the poor. Even if it has, however, the flight of banks from low-income neighborhoods can only reinforce the declining sway of traditional economic virtues.

Back to Banks?

What can be done to make banks more accessible and to limit the cost of financial services to the poor? It is not necessary to repeal banking deregulation altogether, only to use some policy creativity. One limited response, already made by at least 11 states, is to set ceilings on check-cashing fees. A majority of states also regulate the interest rates offered by pawnshops. As long as states do not set limits so low as to prevent these businesses from operating—if they did, Caskey suggests, it would wreak havoc on low-income money management—replicating these rules elsewhere and strengthening enforcement could help eliminate exploiters and rogues from the business. Another idea is to require check-cashers and pawnshops to post the cost of their services in a clear and standard way.

These rules, however, would not necessarily promote better access to banks. One way to do that is to encourage local check-cashers to become de facto bank branches by offering no-frills accounts on behalf of a traditional bank. Participating banks would gain customers, check-cashers would retain their customer base, and the customers would gain security. Another idea is to get better mileage out of the federal Community Reinvestment Act, which was designed (not very stringently) to withhold government approval from banks unless they made an effort to serve all communities in the region where they did business. Regulators might mandate that laggard banks join in a consortium that would operate branches in low-income neighborhoods under a single name. This would be less onerous than requiring each

bank to serve poor neighborhoods, and it would create a bank network experienced with the specialized needs of low-income customers.

Since many residents of low-income communities receive some form of government assistance, government checks provide another appealing means for reconnecting banks with the poor. A bill offered by Senator Howard Metzenbaum, Democrat of Ohio, in 1991 would have required banks to cash government checks for non-depositors. Critics point out, however, that this approach could weaken many of the small and marginally profitable banks already serving poor neighborhoods. A better alternative would be to expand the system of electronic benefit transfers—that is, bypassing checks altogether and offering benefits such as unemployment, Social Security, welfare, and veterans payouts by wire directly into deposit accounts. Currently, about half of Social Security and veterans' benefits are paid out electronically. The Clinton administration has released a plan to create an integrated electronic benefit distribution system and hopes to have it in place nationwide by 1999. Early feedback from Maryland's electronic benefits program, now about a year old, shows that four of every five users are satisfied.

Mark Ragan, deputy director of a federal task force on electronic benefit transfers, says the proposal was designed to reduce fraud, lost checks, and crime. As written, the proposal helps recipients gain experience with ATM machines, reducing their dependence on check-cashers and the need to hold on to large amounts of cash for weeks at a time. But the plan could easily include incentives for low-income recipients to open a savings or checking account—something that almost no other reform can promise.

Private-sector efforts can also help. New non-profit credit unions, which would enjoy flexibility from banking requirements in exchange for a commitment to small depositors in the

inner city, are a good idea. So too is the Clintonesque vision of new community development banks that would focus on commercial lending. Above all, banks need to recapture the momentum from check-cashers, filling the vacuum with their own brand of inventive and creatively marketed institutions. A useful model is offered by First Community Bank, a bank-within-a-bank operated by Bank of Boston.

Jeff Zinsmeyer, a director of the bank, says the idea sprung from the "not very novel notion that we should treat the low-income community as a separate business, just as we separate high-tech or transportation lending, or over-50 banking or private banking." The Bank of Boston opened the doors to its subsidiary in 1989 and, says Zinsmeyer, has been successful ever since.

A key move was to avoid what Zinsmeyer calls the "United Way" approach to banking—a charitable paternalism that annoys customers and saps management talent. "Who wants to be the guy who makes bad loans?" he asks. Rather, the bank saw the inner city as a business opportunity. New immigrants are one target market. Despite language barriers and low incomes, Zinsmeyer sees their market as stable, reliable, and set for growth. "If you were told that the market was growing at 10, 20, 30 percent, you'd want to be in," he says. Public-private partnership funds for community development have made it easier for the bank to make loans no other bank would touch.

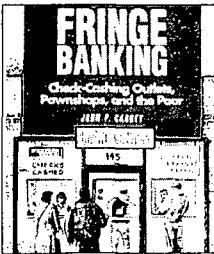
To be sure, this kind of endeavor isn't for every bank, Zinsmeyer says. Rather, he suggests that legislative sticks might be less beneficial than carrots. And Zinsmeyer admits that there are limits to banks' usefulness. Because a single failed \$100,000 loan can only be recouped, at present profit margins, by the successful repayment of 20 to 30 others, some loans really are too risky to make, he says. Rather than wait to build new institutions from scratch, he says, why not help endangered communities benefit sooner from the knowledge and infrastructure of experienced banks?

Creative coalition-building could help promote this kind of change. Jack Kemp, for example, has been building bridges with liberals on policies that give the poor an ownership stake in the economy. Chris Jacobs, who is policy director of the Kemp-affiliated Empowerment Network Foundation, says banking services are as central to their vision of community empowerment as it is for community activists. With a little luck and a lot of hard work, the next wave of low-income banking reform has the potential to be a bipartisan affair.

Recent news reports have noted that the popularity of ATMs and of banking by phone has made bank branches in affluent suburbs almost superfluous, putting these branches, for the first time, on the same closure lists long inhabited by branches in poor neighborhoods. This need not be a bad omen for the customers, and potential customers, in low-income areas. The chief advantage of ATMs is that they are both inex-

pensive and cost-effective. Thanks to ATMs, banks may now cheaply enter geographical niches that were once seen as unprofitable—and, once there, the machines' long-term cost-effectiveness will make banks more likely to stay put.

But ATMs should not be seen as a quick technological fix. Just plopping teller machines in poor neighborhoods will hardly attract droves of new customers. Serious outreach is needed; a good start would be to plow a small portion of the savings from closed suburban branches into marketing efforts in poor areas. Moreover, the government must continue its regulatory pressures to insure that the precious few existing branches in low-income areas are not now closed. If banks decide to pursue this new market with a little creativity—using either the consortium model or the First Community Bank model—the time may be surprisingly ripe for a rebirth of private sector low-income banking. ♦



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Cracking Open the IQ Box

Howard Gardner

Despite its largely technical nature, *The Bell Curve* has already secured a prominent place in American consciousness as a "big," "important," and "controversial" book. In a manner more befitting a chronicle of sex or spying, the publisher withheld it from potential critics until the date of publication. Since then it has grabbed front-page attention in influential publications, ridden the talk-show waves, and catalyzed academic conferences and dinner table controversies. With the untimely death of the senior author, psychologist Richard Herrnstein, attention has focused on his collaborator Charles Murray (described by the *New York Times Magazine* as "the most dangerous conservative in America"). But this volume clearly bears the mark of both men.

The Bell Curve is a strange work. Some of the analysis and a good deal of the tone are reasonable. Yet, the science in the book was questionable when it was proposed a century ago, and it has now been completely supplanted by the development of the cognitive sciences and neurosciences. The policy recommendations of the book are also exotic, neither following from the analyses nor justified on their own terms. The book relies heavily on innuendo, some of it quite frightening in its implications. The authors wrap themselves in a mantle of courage, while coyly disavowing the extreme conclusions that their own arguments invite. The tremendous attention lavished on the book probably comes less from the science or the policy proposals than from the subliminal messages and attitudes it conveys.

Taken at face value, *The Bell Curve* proceeds in straightforward fashion. Herrnstein and Murray summarize decades of work in

WORK DISCUSSED IN THIS ESSAY

Richard J. Herrnstein and Charles A. Murray, *The Bell Curve: Intelligence and Class Structure in American Life*. Free Press, 1994.

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psychometrics and policy studies and report the results of their own extensive analyses of the National Longitudinal Survey of Labor Market Experience of Youth, a survey that began in 1979 and has followed more than 12,000 Americans aged 14-22. They argue that studies of trends in American society have steadfastly ignored a smoking gun: the increasing influence of measured intelligence (IQ). As they see it, individuals have always differed in intelligence, at least partly because of heredity, but these differences have come to matter more because social status now depends more on individual achievement. The consequence of this trend is the bipolarization of the population, with high-IQ types achieving positions of power and prestige, low-IQ types being consigned to the ranks of the impoverished and the impotent. In the authors' view, the combined ranks of the poor, the criminal, the unemployed, the illegitimate (parents and offspring), and the uncivil harbor a preponderance of unintelligent individuals. Herrnstein and Murray are disturbed by these trends, particularly by the apparently increasing number of people who have babies but fail to become productive citizens. The authors foresee the emergence of a brutal society in which "the rich and the smart" (who are increasingly the same folks) band together to isolate and perhaps even reduce the ranks of those who besmirk the social fabric.

Scientifically, this is a curious work. If science is narrowly conceived as simply carrying out correlations and regression equations, the science in *The Bell Curve* seems, at least on a first reading, unexceptional. (My eyebrows were raised, though, by the authors' decision to introduce a new scoring system after

they had completed an entire draft of the manuscript. They do not spell out the reasons for this switch, nor do they indicate whether the results were different using the earlier system.) But science goes far beyond the number-crunching stereotype; scientific inquiry involves the conceptualization of problems, decisions about the kinds of data to secure and analyze, the consideration of alternative explanations, and, above all, the chain of reasoning from assumptions to findings to inferences. In this sense, the science in *The Bell Curve* is more like special pleading, based on a biased reading of the data, than a carefully balanced assessment of current knowledge.

Moreover, there is never a direct road from research to policy. One could look at the evidence presented by Herrnstein and Murray, as many of a liberal persuasion have done, and recommend targeted policies of intervention to help the dispossessed. Herrnstein and Murray, of course, proceed in quite the opposite direction. They report that efforts to raise intelligence have been unsuccessful and they oppose, on both moral and pragmatic grounds, programs of affirmative action or other ameliorative measures at school or in the workplace. Their ultimate solution, such as it is, is the resurrection of a world they attribute to the Founding Fathers. These wise men acknowledged large differences in human abilities and did not try artificially to bring about equality of results; instead, Herrnstein and Murray tell us, they promoted a society in which each individual had his or her place in a local neighborhood and was accordingly valued as a human being with dignity.

The Bell Curve is well argued and admirably clear in its exposition. The authors are, for the most part, fair and thorough in laying out alternative arguments and interpretations. Presenting views that set a new standard for political incorrectness, they do so in a way that suggests their own overt discomfort—real or professed. Rush Limbaugh and Jesse Helms might like the implications, but they would hardly emulate the hedges and the “more in sorrow” statements. At least some of the authors’ observations make sense. For example, their critique of the complex and often contradictory messages embodied in certain governmental social policies is excellent, and their recommendations for simpler rules are appropriate.

Yet I became increasingly disturbed as I read and reread this 800-page work. I gradually realized I was encountering a style of thought previously unknown to me: scholarly brinkmanship. Whether concerning an issue of science, policy, or rhetoric, the authors come dangerously close to embracing the most extreme positions, yet in the end shy away from doing so. Discussing scientific work on intelligence, they never quite say that intelligence is all-important and tied to one’s genes; yet they signal that this is their belief and that readers ought to embrace the same conclusions. Discussing policy, they never quite say that affirmative action should be totally abandoned or that childbearing or immigration by those with low IQs should be curbed; yet they signal their sympathy for these options and intimate that readers ought to consider these possibilities. Finally, the rhetoric of the book encourages readers to identify with the IQ elite and to distance themselves from the dispossessed in what amounts to an invitation to class warfare. Scholarly brinkmanship encourages

the reader to draw the strongest conclusions, while allowing the authors to disavow this intention.

Do Genes Explain Social Class?

In a textbook published in 1975, Herrnstein and his colleague Roger Brown argued that the measurement of intelligence has been the greatest achievement of twentieth-century scientific psychology. Psychometricians can make a numerical estimate of a person's intelligence that remains surprisingly stable after the age of five or so, and much convergent evidence suggests that the variations of this measure of intelligence in a population are determined significantly (at least 60 percent) by inheritable factors. As Herrnstein and Murray demonstrate at great length, measured intelligence correlates with success in school, ultimate job status, and the likelihood of becoming a member of the cognitively entitled establishment.

But correlation is not causation, and it is possible that staying in school causes IQ to go up (rather than vice versa) or that both IQ and schooling reflect some third causative factor, such as parental attention, nutrition, social class, or motivation. Indeed, nearly every one of Herrnstein and Murray's reported correlations can be challenged on such grounds. Yet, Herrnstein and Murray make a persuasive case that measured intelligence—or, more technically, "g," the central, general component of measured intelligence—does affect one's ultimate niche in society.

But the links between genetic inheritance and IQ, and then between IQ and social class, are much too weak to draw the inference that genes determine an individual's ultimate status in society. Nearly all of the reported correlations between measured intelligence and societal outcomes explain at most 20 percent of the variance. In other words, over 80 percent (and perhaps over 90 percent) of the factors contributing to socioeconomic status lie beyond measured intelligence. One's ultimate niche in society is overwhelmingly determined by non-IQ factors, ranging from initial social class to luck. And since close to half of one's IQ is due to factors unrelated to heredity, well over 90 percent of one's fate does not lie in one's genes. Inherited IQ is at most a paper airplane, not a smoking gun.

Indeed, even a sizeable portion of the data reported or alluded to in *The Bell Curve* runs directly counter to the story that the authors apparently wish to tell. They note that IQ has gone up consistently around the world during this century—15 points, as great as the current difference between blacks and whites. Certainly this spurt cannot be explained by genes! They note that when blacks move from rural southern to urban northern areas, their intelligence scores also rise; that black youngsters adopted in households of higher socioeconomic status demonstrate improved performance on aptitude and achievement tests; and that differences between the performances of black and white students have declined on tests ranging from the Scholastic Aptitude Test to the National Assessment of Educational Practice. In an extremely telling phrase, Herrnstein and Murray say that the kind of direct verbal interaction between white middle-class parents and their preschool children "amounts to

excellent training for intelligence tests." On that basis, they might very well have argued for expanding Head Start, but instead they question the potential value of any effort to change what they regard as the immutable power of inherited IQ.

Psychology, Biology, and Culture

The psychometric faith in IQ testing and Herrnstein and Murray's analysis are based on assumptions that emerged a century ago, when Alfred Binet devised the first test of intelligence for children. Since 1900, biology, psychology, and anthropology have enormously advanced our understanding of the mind. But like biologists who ignore DNA or physicists who do not consider quantum mechanical effects, Herrnstein and Murray pay virtually no attention to these insights and, as a result, there is a decidedly anachronistic flavor to their entire discussion.

Intoxication with the IQ test is a professional hazard among psychometricians. I have known many psychometricians who feel that the science of testing will ultimately lay bare all the secrets of the mind. Some believe a difference of even a few points in an IQ or SAT score discloses something important about an individual's or group's intellectual merits. The world of intelligence testers is peculiarly self-contained. Like the chess player who thinks that all games (if not the world itself) are like chess, or the car salesman who speaks only of horsepower, the psychometrician may come to believe that all of importance in the mind can be captured by a small number of items in the Stanford-Binet test or by one's ability to react quickly and accurately to a pattern of lights displayed on a computer screen.

Though Herrnstein deviated sharply in many particulars from his mentor B.F. Skinner, the analysis in *The Bell Curve* is Skinnerian in a fundamental sense: It is a "black box analysis." Along with most psychometricians, Herrnstein and Murray convey the impression that one's intelligence simply exists as an innate fact of life—unanalyzed and unanalyzable—as if it were hidden in a black box. Inside the box there is a single number, IQ, which determines vast social consequences.

Outside the closed world of psychometricians, however, a more empirically sensitive and scientifically compelling understanding of human intelligence has emerged in the past hundred years. Many authorities have challenged the notion of a single intelligence or even the concept of intelligence altogether. Let me mention just a few examples. (The works by Stephen Ceci and Robert Sternberg, as well as my own, discuss many more.)

Sternberg and his colleagues have studied valued kinds of intellect not measured by IQ tests, such as practical intelligence—the kind of skills and capacities valued in the workplace. They have shown that effective managers are able to pick up various tacit messages at the workplace and that this crucial practical sensitivity is largely unrelated to psychometric intelligence. Ralph Rosnow and his colleagues have developed measures of social or personal

intelligence—the capacities to figure out how to operate in complex human situations—and have again demonstrated that these are unrelated to the linguistic and logical skills tapped in IQ tests.

Important new work has been carried out on the role of training in the attainment of expertise. Anders Ericsson and his colleagues have demonstrated that training, not inborn talent, accounts for much of experts' performances; the ultimate achievement of chess players or musicians depends (as your mother told you) on regular practice over many years. Ceci and others have documented the extremely high degree of expertise that can be achieved by randomly chosen individuals; for example, despite low measured intelligence, handicappers at the racetrack successfully employ astonishingly complex multiplicative models. A growing number of researchers have argued that, while IQ tests may provide a reasonable measure of certain linguistic and mathematical forms of thinking, other equally important kinds of intelligence, such as spatial, musical, or personal, are ignored (this is the subject of much of my own work). In short, the closed world of intelligence is being opened up.

Accompanying this rethinking of the concept of intelligence(s), there is growing skepticism that short paper-and-pencil tests can get at important mental capacities. Just as "performance examinations" are coming to replace multiple-choice tests in schools, many scientists, among them Lauren Resnick and Jean Lave, have probed the capacities of individuals to solve problems "on the scene" rather than in a testing room, with pencil and paper. Such studies regularly confirm that one can perform at an expert level in a natural or simulated setting (such as bargaining in a market or simulating the role of a city manager) even with a low IQ, while a high IQ cannot in itself substitute for training, expertise, motivation, and creativity. Rather than the pointless exercise of attempting to raise psychometric IQ (on which Herrnstein and Murray persevere), this research challenges us to try to promote the actual behavior and skills that we want our future citizens to have. After all, if we found that better athletes happen to have larger shoe sizes, we would hardly try to enlarge the feet of the less athletic.

Scientific understanding of biological and cultural aspects of cognition also grows astonishingly with every passing decade. Virtually no serious natural scientist speaks about genes and environment any longer as if they were opposed. Indeed, every serious investigator accepts the importance of both biological and cultural factors and the need to understand their interactions. Genes regulate all human behavior, but no form of behavior will emerge without the appropriate environmental triggers or supports. Learning alters the way in which genes are expressed.

The development of the individual brain and mind begins in utero, and pivotal alterations in capacity and behavior come about as the result of innumerable events following conception. Hormonal effects in utero, which certainly are environmental, can cause a different profile of cognitive strengths and limitations to emerge. The loss of certain sensory capacities causes the redeployment of brain tissue to new functions; a rich environment engenders

the growth of additional cortical connections as well as timely pruning of excess synapses. Compare a child who has a dozen healthy experiences each day in utero and after birth to another child who has a daily diet of a dozen injurious episodes. The cumulative advantage of a healthy prenatal environment and a stimulating postnatal environment is enormous. In the study of IQ, much has been made of studies of identical and fraternal twins. But because of the influences on cognition in utero and during infancy, even such studies cannot decisively distinguish genetic from environmental influences.

Herrnstein and Murray note that measured intelligence is only stable after age five, without drawing the obvious conclusion that the events of the first years of life, not some phlogiston-like "g," are the principal culprit. Scores of important and fascinating new findings emerge in neuroscience every year, but scarcely a word of any of this penetrates the Herrnstein and Murray black-box approach.

Precisely the same kind of story can be told from the cultural perspective. Cultural beliefs and practices affect the child at least from the moment of birth and perhaps sooner. Even the parents' expectations of their unborn child and their reactions to the discovery of the child's sex have an impact. The family, teachers, and other sources of influence in the culture signal what is important to the growing child, and these messages have both short- and long-term impact. How one thinks about oneself, one's prospects in this world and beyond, and whether one regards intelligence as inborn or acquired—all these shape patterns of activity, attention, and personal investments in learning and self-improvement. Particularly for stigmatized minorities, these signals can wreck any potential for cognitive growth and achievement.

Consider Claude Steele's research on the effects of stereotyping on performance. African-American students perform worse than white students when they are led to believe that the test is an intellectual one and that their race matters, but these differences wash out completely when such "stereotype vulnerable" conditions are removed.

To understand the effects of culture, no study is more seminal than Harold Stevenson and James Stigler's book *The Learning Gap: Why Our Schools Are Failing and What We Can Learn from Japanese and Chinese Education* (1992). In an analysis that runs completely counter to *The Bell Curve*, Stevenson and Stigler show why Chinese and Japanese students achieve so much more in schools than do Americans. They begin by demonstrating that initial differences in IQ among the three populations are either nonexistent or trivial. But with each passing year, East Asian students raise their edge over Americans, so that by the middle school years, there is virtually no overlap in reading and mathematics performance between the two populations.

Genetics, heredity, and measured intelligence play no role here. East Asian students learn more and score better on just about every kind of measure because they attend school for more days, work harder in school and at home after school, and have better-prepared teachers and more deeply engaged

parents who encourage and coach them each day and night. Put succinctly, Americans believe (like Herrnstein and Murray) that if they do not do well, it is because they lack talent or ability; Asians believe it is because they do not work hard enough. As a Japanese aphorism has it, "Fail with five hours of sleep; pass with four." Both predictions tend to be self-fulfilling. As educator Derek Bok once quipped, Americans score near to last on almost all measures save one: When you ask Americans how they *think* they are doing, they profess more satisfaction than any other group. Like Herrnstein and Murray, most Americans have not understood that what distinguishes the cultures is the pattern of self-understanding and motivation, especially the demands that we make on ourselves (and on those we care about) and the lessons we draw from success and failure—not the structure of genes or the shape of the brain.

The Shaky Bridge to Policy

Like Murray's earlier book *Losing Ground*, *The Bell Curve* views most recent governmental attempts at intervention as doing more harm than good and questions the value of welfare payments, affirmative action programs, indeed, any kind of charitable disposition toward the poor. To improve education, Herrnstein and Murray recommend vouchers to encourage a private market and put forth the remarkable proposal that the government should shift funds from disadvantaged to gifted children. And while they do not openly endorse policies that will limit breeding among the poor or keep the dispossessed from our shores, they stimulate us to consider such possibilities.

Nowhere did I find the Herrnstein and Murray analysis less convincing than in their treatment of crime. Incarcerated offenders, they point out, have an average IQ of 92, eight points below the national mean. They go on to suggest that since lower cognitive aptitude is associated with higher criminal activity, there would be less crime if IQs were higher. But if intelligence levels have at worst been constant, why did crime increase so much between the 1960s and 1980s? Why have crime rates leveled off and declined in the last few years? Does low IQ also explain the embarrassing prevalence of white-collar crime in business and politics or the recent sudden rise in crime in Russia? Astonishingly, no other influences, such as the values promoted by the mass media, play any role in Herrnstein and Murray's analysis.

Considering how often they remind us that the poor and benighted at society's bottom are incapable through no fault of their own, Herrnstein and Murray's hostility to efforts to reduce poverty might seem, at the very least, ungenerous. But, at the book's end, the authors suddenly turn from their supposed unblinking realism to fanciful nostalgia. Having consigned the dispossessed to a world where they can achieve little because of their own meager intellectual gifts, Herrnstein and Murray call on the society as a whole to reconstitute itself: to become (once again?) a world of neighborhoods where each individual is made to feel important, valued, and dignified. They devote not a word to how this return to lost neighborhoods is to be brought about or how those with low IQs and no resources could suddenly come to feel worthwhile. It is as if we were watching scenes from *Apocalypse Now* or *Natural*

Born Killers, only to blink for a minute and to find the movie concluding with images from a situation comedy or “Mr. Rogers’ Neighborhood.”

Rhetorical Bomb-throwing

Perhaps the most troubling aspect of the book is its rhetorical stance. This is one of the most stylistically divisive books that I have ever read. Despite occasional avowals of regret and the few utopian pages at the end, Herrnstein and Murray set up an us/them dichotomy that eventually culminates in an us-against-them opposition.

Who are “we”? Well, we are the people who went to Harvard (as the jacket credits both of the authors) or attended similar colleges and read books like this. We are the smart, the rich, the powerful, the worriers. And who are “they”? They are the pathetic others, those who could not get into good schools and who don’t cut it on IQ tests and SATs. While perhaps perfectly nice people, they are simply not going to make it in tomorrow’s complex society and will probably end up cordoned off from the rest of us under the tutelage of a vicious custodial state. The hope for a civil society depends on a miraculous return of the spirit of the Founding Fathers to recreate the villages of Thomas Jefferson or George Bailey (as played by Jimmy Stewart) or Beaver Cleaver (as played by Jerry Mather).

How is this rhetorical polarization achieved? At literally dozens of points in the book, Herrnstein and Murray seek to stress the extent to which they and the readers resemble one another and differ from those unfortunate souls who cause our society’s problems. Reviewing the bell curve of the title, Herrnstein and Murray declare, in a representative passage:

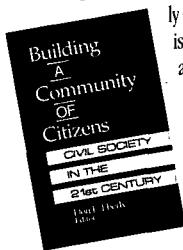
You—meaning the self-selected person who has read this far into this book—live in a world that probably looks nothing like the figure. In all likelihood, almost all of your friends and professional associates belong to that top Class I slice. Your friends and associates who you consider to be unusually slow are probably somewhere in Class II.

Why is this so singularly off-putting? I would have thought it unnecessary to say, but if people as psychometrically smart as Messrs. Herrnstein and Murray did not “get it,” it is safer to be explicit. High IQ doesn’t make a person one whit better than anybody else. And if we are to have any chance of a civil and humane society, we had better avoid the smug self-satisfaction of an elite that reeks of arrogance and condescension.

Though there are seven appendices, spanning over 100 pages, and nearly 200 pages of footnotes, bibliography, and index, one element is notably missing from this tome: a report on any program of social intervention that works. For example, Herrnstein and Murray never mention Lisbeth Schorr’s *Within Our Reach: Breaking the Cycle of Disadvantage*, a book that was prompted in part by *Losing Ground*. Schorr chronicles a number of social programs that have made a genuine difference in education, child health service, family planning, and other lightning-rod areas of our society. And to the ranks of the programs



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Republican, and to get busy with the important work of our generation: seeking ways to strengthen the civil society.”

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chronicled in Schorr's book, many new names can now be added. Those who have launched Interfaith Educational Agencies, City Year, Teach for America, Jobs for the Future, and hundreds of other service agencies have not succumbed to the sense of futility and abandonment of the poor that the Herrnstein and Murray book promotes.

When I recently debated Murray on National Public Radio, he was reluctant to accept the possibility that programs of intervention might dissolve or significantly reduce differences in intelligence. If he did, the entire psychometric edifice that he and Herrnstein have constructed would collapse. While claiming to confront facts that others refuse to see, they are blind to both contradictory evidence and the human consequences of their work. Herrnstein and Murray, of course, have the right to their conclusions. But if they truly believe that blacks will not be deeply hurt by the hints that they are genetically inferior, they are even more benighted—dare I say, even more stupid—than I have suggested.

It is callous to write a work that casts earlier attempts to help the disadvantaged in the least-favorable light, strongly suggests that nothing positive can be done in the present climate, contributes to an us-against-them mentality, and then posits a miraculous cure. High intelligence and high creativity are desirable. But unless they are linked to some kind of a moral compass, their possessors might best be consigned to an island of glass-bead game players, with no access to the mainland. ♦

The Inequality Express

Barry Bluestone

In his 1958 book, *The Rise of the Meritocracy, 1870-2033*, British sociologist Michael Young predicted that growing inequality in Britain's income distribution would spark a great populist rebellion in the year 2034. As British society moved closer to realizing the ideal of equal opportunity, Young wrote, it would also abandon any pretense of equal outcome: Each individual's socioeconomic status would depend less on lineage, family connections, and political influence, and more on intelligence, education, experience, and effort. Outright racial and gender discrimination and iniquitous privilege would be gone; inequality based on merit would take their place. The victims of this new inequality—those who were once protected by good union wages, civil service status, or seniority—would then take to the barricades.

We haven't seen any such revolution yet, but the rest of Young's prophecy today seems uncomfortably prescient. Virtually every number cruncher who has perused contemporary income data from the United States and the United Kingdom reports three clearly defined trends, each consistent with Young's forecast. First, the distribution of earnings in both countries increasingly reflects the distribution of formal education in the workforce. Second, the gap in earnings between the well educated and the not-so-well educated is steadily increasing. And finally, the real standard of living of a large proportion of the workforce—particularly those with less than a college degree—has steadily and sharply declined.

Universal acceptance of these trends has

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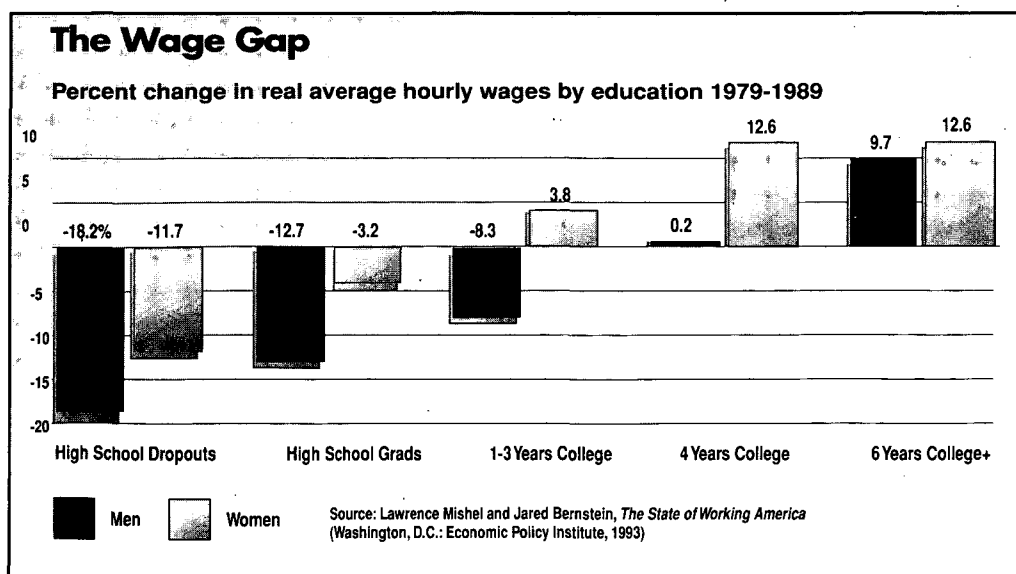
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not, however, led to any agreement about their source. Some scholars emphasize increasing demand for skills in a high-technology economy. Others claim globalization of the economy has thrown workers in high-wage countries into competition with workers in low-wage ones. Still others indict deindustrialization, the decline of unions, rising immigration, and the proliferation of winner-take-all labor markets. This lack of consensus about causes has produced a lack of consensus about remedies.

Here we will attempt to solve the mystery of rising wage inequality, and in so doing consider what might be done to stymie it. The best primer for this exercise is Agatha Christie's *Murder on the Orient Express*.

Merit or Market?

When Young penned his satire, there appeared little reason to heed his warning. In the immediate postwar period, while Europe and the United States were enjoying the heady days of rapid growth, economic expansion almost always spawned greater equality. Class warfare was giving way to an implicit and generally peaceful social contract. The big trade-off between equality and growth so elegantly detailed by the American economist Arthur Okun seemed to hold more true in theory than in practice. In the U.S., real average weekly earnings would grow by 60 percent between 1947 and 1973. Median family income literally doubled. And over the same period, personal wages and family incomes became tangibly more equal, not less. Along with growth and greater equality, poverty declined across the nation. Those at the bottom of the distribution gained more—on a percentage basis—than those at the top. The higher wages of unionized workers did not come at the expense of other workers' living standards. If anything, the rising wages of higher-paid labor were extracted from the profits that traditionally went to the wealthy.

There is little dispute that by 1973 this trend had come to an end. Inequality

actually rose, especially during the 1980s. Many initially blamed a slowdown in overall economic growth. But the expansion of the economy after the 1980-82 recession suggested a new dynamic at work: Faster growth no longer reduced inequality or did much to increase the earnings of those at the bottom of the skill ladder. Wage dispersion returned to levels not seen since before the 1960s. By the late 1980s, family income inequality was higher than at the end of World War II.

Wage dispersion, of course, is not the only source of economic inequality. Another source is demographic trends, such as the simultaneous rise in the number of dual income couples and single-parent families. The tremendous increase during the 1980s in nonwage sources of income for the well-to-do—interest, dividends, rent, and capital gains—plays an important role as well. But whatever role these other causes may play, changes in the distribution of wages and salaries are clearly a primary factor in rising inequality.

Racial and gender discrimination continue to be the basis of large earnings differences. However, as the influence of more virulent prejudices has declined in the labor market, differences in education and skill have had a greater impact on wages. One manifestation of this trend is the increasing wage ratio of college-educated workers to high school dropouts. In 1963, the mean annual earnings of those with four years of college or more stood at just over twice (2.11 times) the mean annual earnings of those who had not completed high school. By 1979, this ratio had increased to 2.39. This was but a harbinger of things to come. By 1987, the education-to-earnings ratio had skyrocketed to nearly three to one (2.91). The trend continues today.

In fact, the entire pattern of wage growth during the 1980s reflects a remarkable labor market “twist” tied to schooling. (See “The Wage Gap,” page 82). During this decade, the average real wage of male high school dropouts *fell* by over 18 percent, while male high school graduates suffered nearly a 13 percent real earnings loss. At the other end of the distribution, men who completed at least a master’s degree emerged as the only real winners. Their earnings rose by more than 9 percent. Note that even men who had attended college without graduating saw a serious erosion in their earning power. And men who completed college discovered that their undergraduate degrees merely served to prevent a decline in inflation-adjusted wages. Women fared better than men in terms of overall wage growth, but the imprint of a labor market twist is clearly discernible here as well.

That three out of four U.S. workers have not completed college provides some indication of how large a proportion of the entire labor force has been adversely affected by the new meritocratic distribution. If we take some liberty with Robert Reich’s definition of symbolic analysts—people such as research scientists, design engineers, and public relations executives whose work focuses on problem-solving, problem-identifying, and strategic brokering activities—and limit the use of this term to those with two or more years of schooling beyond the bachelor’s degree, the successes in the new economy

account for just 7 percent of the U.S. labor force. If we include men with the equivalent of at least a master's degree plus women with at least a bachelor's, we could say the proportion of real earnings winners includes about 15 percent of the workforce. The extreme losers in this new meritocratic society—those with no more than a high school diploma—still comprise more than half of all U.S. workers.

In economic terms, the "return" of education, or how much one earns with a given level of education, has diverged sharply from its "rate of return," or how much an additional year of education is worth. What we have seen is a reduction in the return of education—a decline in earnings for high school graduates, for example—while the increment in earnings due to a little more schooling pays off a whole lot, most notably at the high end. This is why the college degree for men has become a defensive good. It provided almost no wage growth during the entire decade of the 1980s, but at least it kept college graduates from suffering the nearly 13 percent loss sustained by those with only a high school diploma. For men, completing college during the 1980s became the equivalent of donning a brand new pair of running shoes to go bear hunting with a companion. If the bear ends up attacking you, you cannot outrun it. But in order to survive you need to outrun your friend. Anyone who has visited a vocational guidance counselor lately will recognize this as the principal underlying message. The college degree still outfits women with the equivalent of a new pair of Reeboks, but any less schooling leaves women trying to run in quicksand.

The Economists' Lineup

To explain this crisis, economists have offered up ten suspects:

Suspect One: Technology. Robert Lawrence of Harvard's John F. Kennedy School of Government and Paul Krugman, now at Stanford University, are the leading advocates of this position. They believe that the new information technologies skew the earnings distribution by placing an extraordinary premium on skilled labor while reducing the demand, and hence the wage, for those of lesser skill. This, they contend, is about all you need to explain current earnings trends.

The problem is that no one has any direct measure of the skill content of technology. Proving this hypothesis would require proving not just skill-biased technological change but also a tremendous acceleration in new technology during the 1980s. After all, at least some level of technological change occurred in earlier decades without such an adverse impact on earnings equality. What's so different about technology in the 1980s and 1990s? According to David Howell ("The Skills Myth," *TAP*, Summer 1994, No. 18), and Lawrence Mishel and Jared Bernstein in an Economic Policy Institute working paper, there is little evidence that the pace of innovation—the speed at which new machines are brought to factories and new products are developed—was any faster than during the 1960s or 1970s. Most businesses are not introducing technology that requires vastly improved skill. Many are simply paying less for the same skills they have been using all along while others are hiring better educated workers

at lower wage rates to do the work previously relegated to lesser-educated employees.

Suspect Two: The service-based economy. Other researchers, including George Borjas of the University of California at San Diego, have argued that a primary suspect is deindustrialization—the shift of jobs from goods-producing sectors to the service sector. In previous writings, I have estimated that between 1963 and 1987 the earnings ratio between college graduates and high school dropouts working in the goods-producing sector (mining, construction, and manufacturing) increased from 2.11 to 2.42—a jump of 15 percent. In the service sector, however, the education-to-earnings ratio mushroomed from 2.20 to 3.52—a 60 percent increase. All of the employment growth in the economy during the 1980s came in the services sector, where wages were polarizing between high school dropouts and college graduates four times faster than the goods-producing industries. Hence, this could explain at least part of the dramatic increase in earnings inequality.

Suspect Three: Deregulation. Government deregulation of the airlines, trucking, and telecommunications industries very likely has produced the same effect. In each of these industries, intense competition from new non-union, low-wage entrants, such as the short-lived People Express in the airline industry, forced existing firms to extract large wage concessions from their employees to keep from going bankrupt. How much this has contributed to overall earnings inequality remains an open question.

Suspect Four: Declining unionization. Unions have historically negotiated wage packages that narrow earnings differentials. They have tended to improve wages the most for workers with modest educations. As Richard Freeman of Harvard and a number of other economists have noted, the higher rate of union membership is one of the reasons for the smaller dispersion of wages found in manufacturing. That unions have made only modest inroads into the service economy may explain in part why earnings inequality in this sector outstrips inequality in the goods-producing sector.

Suspect Five: Downsizing. The restructuring of corporate enterprise toward lean production and the destruction of internal job ladders as firms rely more heavily on part-time, temporary, and leased employees is still another suspect in this mystery, according to Bennett Harrison of Carnegie Mellon. The new enterprise regime creates what labor economists call a “segmented” labor force of insiders and outsiders whose job security and earnings potential can differ markedly.

Suspect Six: Winner-take-all labor markets. The heightened competitive market, which forces firms toward lean production, may also, according to Robert Frank and Philip Cook, be creating a whole new structure of free-agency, “winner-take-all” labor markets. As Frank has explained (“Talent and the Winner-Take-All Society,” *TAP*, Spring 1994, No. 17), in winner-take-all markets “a handful of top performers walk away with the lion’s share of total rewards.” The difference between commercial success and failure in such markets may depend on just a few “star” performers—in movies the director and leading actor or actress; in the O.J. Simpson trial the conduct of just one or

two trial attorneys. Given the high stakes involved in a multimillion dollar movie project or a murder trial involving a well-to-do client, investors are willing to pay a bundle to make sure they employ the "best in the business."

Today, the fields of law, journalism, consulting, investment banking, corporate management, design, fashion, and even academia are generating payoff structures that once were common only in the entertainment and professional sports industries. Just a handful of Alan Dershowitzes, Michael Milken, and Michael Eisners can have a sizeable impact on the dispersion of wages in each of their occupations. There is considerable evidence that inequality is not only rising across education groups but within them, very likely reflecting such winner-take-all dynamics.

Suspect Seven: Trade. Even more fundamental to the recent restructuring of the labor market—and a likely proximate cause of deindustrialization, deunionization, lean production, and perhaps even the free-agency syndrome—is the expansion of unfettered global trade. According to trade theory, increased trade alone is sufficient—*without* any accompanying multinational capital investment or low-wage worker immigration—to induce the wages of similarly skilled workers to equalize across trading countries. Economists call this dynamic "factor price equalization." As the global economy moves toward free trade, lower transportation costs, better communications, and the same "best practice" production techniques available to all countries, factor price equalization is likely to occur.

Unfortunately, in a world like ours where there is a plentiful supply of unskilled labor juxtaposed to a continued relative scarcity of well-educated workers, this "price equalization" *within* skill categories leads to a "wage polarization" *between* skill categories. The gap between the compensation of low-skilled workers and high-skilled workers everywhere will tend to grow. According to the well-respected trade theorist Edward Leamer of the University of California at Los Angeles, freer trade will ultimately reduce the wages of less-skilled U.S. workers by about a thousand dollars a year, partly as a result of NAFTA. If factor price equalization is a chief source of wage dispersion today, just consider the implications when China and India with their immense unskilled workforces enter fully into global markets.

Suspect Eight: Capital mobility. Freer trade generally provides for the unrestricted movement of investment capital across borders. This inevitably accelerates the process of growing wage inequality. Modern transportation and communications technologies, combined with fewer government restrictions on foreign capital investment, have led to increased multinational capital flows between countries. To the extent that companies move to take advantage of cheaper unskilled labor, transnational investment adds to the effective supply of low-skilled workers available to American firms, thus reinforcing factor price equalization.

Suspect Nine: Immigration. Increased immigration potentially has the same effect, if a disproportionate share of new immigrants enters with limited skills and schooling. This is true at least for legal immigrants. The typical legal immigrant in the U.S. today has nearly a year less schooling than native citizens.

Undocumented immigrants surely have even less. As such, while many immigrants to the U.S. come here with excellent education and skills, there is little doubt that the large number of Central American, Caribbean, and Southeast Asians seeking refuge in this country has had the unfortunate side effect of at least temporarily boosting the supply of low-skill workers seeking jobs.

Suspect Ten: Trade deficits. The trade gap has contributed to the decline in those sectors of the economy that have in the past helped to restrain earnings inequality. Moreover, trade data indicate that the import surplus itself is disproportionately composed of products made by low-skilled and modestly skilled labor. This boosts the effective supply of workers at the bottom of the education-to-earnings distribution and thus depresses their relative wages.

Whodunnit?

Thus, in our rogue's gallery we have ten suspects: skill-biased technological change, deindustrialization, industry deregulation, the decline of unions, lean production, winner-take-all labor markets, free trade, transnational capital mobility, immigration, and a persistent trade deficit. Quantitatively parsing out the relative impact of all of these forces on wage distribution is fraught with enormous difficulty. Still, Richard Freeman and Lawrence Katz have attempted to do something like this, at least for the wage gap between men with a college degree and those with a high school diploma. The results of their research—and that of some other economists—are summarized in the chart above.

What do these results suggest? If the Freeman and Katz estimates are in the right ballpark, the answer to our mystery is the same denouement as Agatha Christie's in *Murder on the Orient Express*. They all did it. Every major economic trend in the U.S. contributes to growing inequality largely linked to merit. None of these trends shows the least sign of weakening.

Each trend reflects the growth of market forces and the decline of institutional constraints on competition. This was Young's essential message more than 30 years ago. Increased reliance on domestic market dynamics as the sole determinant of earnings produces inequality. Heightened competition within these markets, as a consequence of fuller integration into the global economy, exacerbates this wage dispersion. While it may be sinister, there is nothing conspiratorial about this phenomenon. It is embedded in the very nature of laissez-faire market dynamics. For this reason, meritocratic inequality is much

Sources of Inequality

Factors responsible for the increase in the male college/high school wage differential during the 1980s

Technological Change	7% - 25%
Deindustrialization	25% - 33%
Deunionization	20%
Trade and Immigration	15% - 25%
Trade Deficit	15%

Source: Richard B. Freeman and Lawrence F. Katz, "Rising Wage Inequality: The United States vs. Other Advanced Countries," in Richard Freeman, ed., *Working Under Different Rules*. Russell Sage, 1994.

harder to remedy than overt forms of discrimination based on race and sex.

Policy Endgames

Even economists who tout the merits of the market have come to recognize the need to soften the potentially devastating social impact of current income trends. Yet given the long-standing resistance to most forms of public intervention in the marketplace, the search for solutions has been restricted to just three types of countermeasures: education and training, immigration reform, and direct tax-and-transfer policy.

In theory, education can offset the effect of skill-biased technological change and factor price equalization. If somehow we could produce a true glut of symbolic analysts in place of high school dropouts, meritocratic inequality would begin to resolve itself. Education reduces the surplus of low-skilled workers and relieves the shortage of skilled workers. If this strategy also happens to increase the overall level of education, it has the added advantage of improving overall labor productivity and ultimately real wages.

A number of education and training programs have widespread appeal. These include expanding the Head Start program for disadvantaged preschool children, levying a corporate tax to finance on-the-job training, instituting a national apprenticeship program, and converting current grant and loan programs into income-contingent loans for college and university students. Other possibilities under consideration for education reform include setting national standards for school performance, introducing merit systems to reward successful teaching, instituting voucher systems, and increasing teacher and parent control over schools.

Legal restriction of immigration is a second possible means of reducing wage inequality. Canada has a higher rate of immigration than the United States. But immigration laws in the two countries have produced very different effects on their respective labor markets. Since the 1960s, U.S. policy has stressed family reunification. Canada, in contrast, employs a point system designed to produce a more skilled immigrant labor pool. This approach has produced legal immigrants in Canada who average 1.3 more years of education than native Canadians. If we ignore the thorny ethical issues surrounding the rights of political refugees and judgments about the worthiness of individuals seeking to immigrate—a whole other debate—one could imagine tilting immigration policy toward greater use of skill-based criteria.

Finally, if immigration control and education cannot do the job, there is the old standby of progressive tax-and-transfer policy to effect greater equality after wages are paid. Traditionally, most contemporary liberal economists have favored this method, for it entails the least interference with market forces.

On the surface, this complement of liberal policies seems germane for coping with meritocratic inequality. Not surprisingly, all three policies are at the top of the domestic agenda of the Democratic Party. Yet, given the powerful set of national and global forces at work in the economy, these policies may not be enough.

A case in point is education and training. Greater equality in schooling does not by itself produce more equal earnings. The distribution of education has become significantly more even over the past three decades. Among year-round, full-time workers, the overall variation in completed years of schooling has declined by more than 25 percent since 1963. The performance of black students and other minorities on the Scholastic Aptitude Test (SAT) is further evidence of this convergence. In 1976, the average verbal SAT score for blacks stood at the 74th percentile of whites; by 1990 the average score was up to the 80th percentile. Math SAT scores for black students improved by the same amount.

But even as education backgrounds have converged, the importance of small differences in education has increased—enough so to offset any equalizing effect education would otherwise have. Recall the distinction between the return and the rate of return of schooling. As such, no matter what other benefits might flow from increased schooling, expanded education is not, by itself, a certain cure for inequality.

Job training programs have made even less headway. While the federal government has experimented with a bevy of programs from the original Manpower Development and Training Act (MDTA) of the Great Society to the Job Training and Partnership Act (JTPA) of the 1980s, repeated evaluations suggest mixed results at best. Some programs like the Job Corps, which provide long-term training opportunities to disadvantaged youth, have been cost effective. The vast majority, however, have provided dubious returns. And even when these programs are deemed successful, the earnings advantage they give participants produces only the slightest deviation in the trend toward income inequality.

James Heckman of the University of Chicago has estimated just how small this deviation really is. Assuming a generous 10 percent rate of return on investment, he calculates that the government would need to spend a staggering \$284 billion on the U.S. workforce to restore male high school dropouts to their 1979 real incomes. To restore education-based wage differentials to 1979 levels without reducing the real incomes of existing college-educated workers would take more than \$2 trillion.

Future investments in human capital programs may have a somewhat better track record than past attempts, particularly if they are well targeted. But one cannot ignore the enormous increases in inequality that have already taken place. And to keep inequality from growing even more quickly, government would have to expand these programs at a frenetic pace. This is not to say that there is no role for training in solving America's labor market problems. While more training may not significantly reduce inequality, it is nevertheless useful for raising overall productivity, providing individual workers with a defense against further wage decline, and for rectifying specific skill shortages which could otherwise lead to wage-led inflation.

Immigration reform may also have a marginal impact on the earnings distribution, but any improvement will be largely limited to regions of the country where immigration flows have been disproportionately large—

California, Texas, Florida, and perhaps a few states in the Northeast.

That leaves tax-and-transfer programs as the centerpiece for adjusting distributional outcomes. On paper, a suitably progressive set of tax rates combined with sufficiently generous transfer assistance could radically redistribute income after it is earned in the market. But in practice even such hard-to-win liberal measures as President Clinton's 1993 tax initiative produce relatively little redistribution. In 1977, when the federal tax system was significantly more progressive than today, the richest fifth of American families had 9.5 times the pretax total income of the poorest fifth. Federal taxes reduced the overall gap in relative shares by less than 20 percent; regressive state and local taxes wiped out this improvement. Given increased reliance on regressive payroll taxes and an aversion to any further increase in progressive income taxation, the tax system is unlikely to do much more.

The same is true of public transfer programs. Over the past 20 years, the New Deal safety net of unemployment insurance and welfare assistance has come under attack. Unemployment insurance covered more than 60 percent of the jobless during the 1961 and 1975 recessions. Despite the greater severity of the 1982 recession, only 43 percent of jobless Americans collected unemployment benefits. During the 1991 recession, coverage was down to 40 percent. While the Clinton administration implemented important reforms of the federal unemployment insurance system, the states and the federal government are unlikely to greatly expand coverage of the unemployed. As for the traditional welfare system, including Aid to Families with Dependent Children (AFDC), real benefit levels have been cut in many states and the government has imposed greater eligibility restrictions. Most of the proposed reforms of the AFDC program would change the dynamics of dependency, but do nothing to change the final distribution of income—and they could, by forcing welfare recipients off the roles after two years, make matters worse.

Education and immigration reform, as well as redistributive tax-and-transfer policy, could contribute to reducing inequality, but they are by themselves—even under the best of political scenarios—no match for the concerted forces now driving the labor market. Indeed, relying exclusively on redistributive tax-and-transfer schemes to redress the growing inequality problem would likely require tax rates and transfer sums so large that there would be not only massive political resistance but real economic costs in terms of disincentives to investment and growth.

The End of Inequality?

There is, however, an additional policy agenda which a progressive government could embrace. This agenda would focus attention on the market forces that generate greater inequality. First, there is direct regulation of the labor market. As the empirical evidence demonstrates, the growth in earnings inequality has materialized in part because of a serious erosion in wages at the bottom of the skill distribution and a sharp decline in unionization. Higher minimum wage standards are one way government can affect the distribution of employee compensation. While raising the mandatory wage minimum

theoretically entails some trade-off in the form of job loss, some recent studies prove the positive earnings impact of modest increases in the statutory minimum far outweigh any unemployment effect. Thus, the aggregate wage bill paid to less-skilled workers increases, improving the living standards of those on the bottom rungs of the earnings ladder.

Labor law reform makes it easier for unions to organize workers and provides an indirect method of accomplishing the same objective. While there are many reasons why union membership is dwindling, the recent *Fact Finding Report* of the U.S. Commission on the Future of Worker-Management Relations found undeniable evidence that the playing field is tilted heavily toward employers. Employers can permanently replace striking employees, which reduces the ability of unions to organize and to freely negotiate collective bargaining agreements. Unions do not have free access to employees during membership drives, and the penalties for employer unfair labor practices are trivial. To remedy this, government could ban permanent striker replacements, permit union organizers access to in-plant bulletin boards and public forums, impose more costly penalties on employers who violate the rights of union organizers, expedite legal remedies, and authorize binding arbitration for first contracts.

There are also industrial and trade policies to consider. Advocates of industrial policy can cite the success of the U.S. aircraft and agriculture industries, in which government purchases and research-and-development subsidies helped to create and maintain industries that now dominate world markets. The Carter administration's Chrysler loan guarantee, which provided an eleventh-hour reprieve from certain bankruptcy for the then-hapless automaker, turned around an old smokestack company and saved tens of thousands of well-paying jobs—not only at Chrysler but at hundreds of its suppliers. With a new lease on life, Chrysler has surged back as a world leader in automotive technology. There are, of course, many instances of failed industrial policy—the government's ill-fated Synfuels Corporation, for example—but there are an ample number of cases on the other side of the ledger. Maintaining the nation's manufacturing base would have a salutary effect on incomes.

The other policy that can bolster the goods-producing sector is implementation of fair-trade language in trade agreements. One way of doing this is to use tariffs and trade barriers designed to give *temporary* protection to key industries, promoting industrial revitalization and economic transition. Another form of managed trade would tie the offer of reduced protection to a trading partner's compliance with certain environmental and labor standards. Critics of NAFTA argued for side agreements that would have linked the pace of tariff reduction to the rate at which Mexican wages caught up with Mexico's rapidly rising productivity. To be sure, government-imposed limits on trade can have detrimental effects on prices and therefore reduce average real incomes from what they might be under a free trade regime. Nevertheless, a carefully crafted set of trade policies that condones temporary protection of selected domestic markets and sets minimum labor and environmental standards can soften the distributional impact of factor price equalization. The trick

is to keep such protection from becoming permanent or prompting a trade war.

One last point: What about the use of macroeconomic stimulus to counteract inequality? As noted above, growth per se is no longer an antidote to increased wage dispersion. But it is important to realize that it is the sine qua non for providing the tax revenue and the political will to address inequality through government action. Hence, overzealous attacks on government deficits that reduce aggregate demand and overly restrictive monetary policies that unnecessarily boost interest rates can poison the environment for possible egalitarian reforms.

Is there any evidence that more aggressive structural policies can help? Critics like Mickey Kaus, the *New Republic* columnist and author of *The End of Equality*, think not. In declaring that "the venerable liberal crusade for income equality is doomed," Kaus argues that

you cannot decide to keep all the nice parts of capitalism and get rid of all the nasty ones. You cannot have capitalism without 'selfishness,' or even 'greed,' because they are what make the system work. You can't have capitalism and material equality, because capitalism is constantly generating extremes of inequality as some individuals strike it rich . . . while others fail and fall on hard times.

This may sound sensible, but it will come as remarkable news to a large number of our foreign capitalist competitors. A comparison of earnings trends across countries suggests that different institutional frameworks, all operating within a capitalist framework, produce substantially different distributional outcomes.

Kaus confuses capitalism with laissez-faire economics. All nations now face nearly identical pressures from technological change and global competition. Yet not all are experiencing the same degree of growing income inequality. Those countries with stronger unions, national wage solidarity agreements, generous social welfare programs, and more vigorously pursued industrial and trade policies have greater wage equality than countries pursuing pure free-market strategies. Relying on an extensive review of comparative statistics, Richard Freeman and Lawrence Katz conclude that while educational and occupational skill-wage differentials were growing rapidly in the United States and the United Kingdom during the 1980s, the experience elsewhere was quite different. Wage equality increased in the Netherlands; wage differentials did not change noticeably in France, Germany, and Italy; and wage dispersion increased modestly—if at all—in Australia, Canada, Japan, and Sweden.

In all of these capitalist countries, intensified global competition and technological innovation pushed the distribution of earnings and income toward greater inequality. Structural protection against this onslaught was greater in countries that did not follow the Reagan-Thatcher road to full-scale deregulation and laissez-faire trade policies.

True, the flexibility of the U.S. market may be partly responsible for lower

overall unemployment rates compared with these other countries, but the price of this flexibility seems to be much higher levels of economic polarization and social inequality. Moreover, recent research by Rebecca Blank, a labor economist at Northwestern University, suggests there is little empirical evidence that social protection programs substantially affect labor market flexibility. Expansive social protection problems, then, are not the most important factor behind the high rate of unemployment in Europe, as many others suggest. Blank goes on to show that cutting back on social protection policies does not automatically reduce unemployment or increase the speed of labor market adjustment. Instead she finds that by enhancing worker well-being, social protection policies may actually permit flexibility that would not otherwise be possible. All of which means that the U.S. can adopt policies to directly redress income inequality without raising the specter of double-digit unemployment.

So can we avoid fulfilling Michael Young's prophecy for 2034? Can a society with high- and low-skill workers have a reasonably equitable distribution of income? The answer is a qualified "yes," but it requires that we focus on equal outcome, not just equal opportunity. There is a fundamental distinction separating progressives from neoconservatives and neoliberals, and it turns largely on this point: Progressives are willing to consider a broader and more balanced array of public policies to keep the free market from perpetrating and then perpetuating socially destructive levels of inequality.♦

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(Lethal injection seems far less likely to draw as big ratings as, say, a firing squad.) But, delicate as these issues may be, it scarcely seems prudent to forgo this new fountain of public revenue on the mere speculation that it might distort the judicial system. Murder is bad enough; but, hey, throwing away the revenue from celebrity trials would be a real crime.

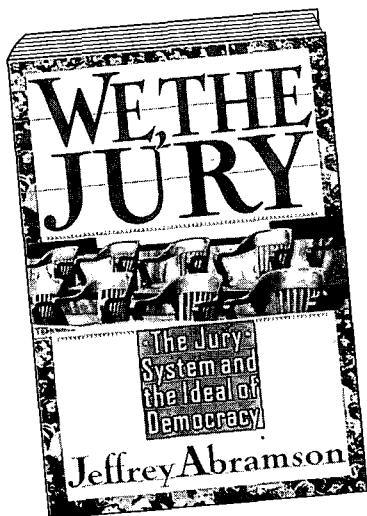
POLITICS AS A VACATION

When sociology professor Fernando Cardoso was elected president of Brazil in October, many of his colleagues in other countries were elated—not least of all because of old academic jealousies. Economists getting elected to high office, that's an old story. Sociologists getting elected, that's news. Those who were inclined to dwell on the negatives pointed out, however,

that the job doesn't carry tenure. So why take it? No one who has experienced academic politics can doubt that the real thing must be a relief. Still, given Brazil's history of military coups, you'd have to worry that "publish and perish" is a risk.

LOWEST OF THE LOW

It had seemed that political rhetoric in America could not plunge any lower, when Newt Gingrich told his state's voters just before the election, "The mother killing her two children in South Carolina vividly reminds every American how sick the society is getting and how much we have to have change. People want to change, and only way you get change is to vote Republican." Of course, the mother who killed her children—and accused a black man of abducting them—ought to remind everyone of the ubiquity of human evil and the relentless effort to pin it on scapegoats. Mr. Gingrich ought to know about that. ♦



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HOW LOW CAN YOU GO?

THE SOCIAL BENEFITS OF PREMATURE DEATH

One argument for a sharp increase in tobacco taxes is that it would force smokers to pay for the increased medical costs they generate. But some economists say higher medical costs are only half the story. Peter Passell wrote last July in the *New York Times* that "a full accounting must also include the savings from smoking. Yes, savings: the reduced cost of private pensions, Social Security and nursing home care for smokers who die before their time." And on a full accounting, according to studies cited by Passell, the social costs of smoking may be too small even to justify current taxes, much less an increase.

The economists making these arguments are breaking new ground. Public policy has always generally made the assumption that life is a benefit and worth preserving. But, on a "full accounting," a lot of people—particularly old people—are clearly more cost than benefit. So a policy that encourages them to kill themselves, such as low prices for cigarettes, makes good sense—if you accept the economists' paradigm. Following this logic, it might also be prudent to give seniors publicly funded discounts for tobacco. The sooner they kill themselves, the lower future Social Security costs will be.

Many other policies have been based on foolishly one-sided calculations. The Food and Drug Administration, for example, assumes that life is worth extending when it develops regulations for drugs and medical devices. But defective

pacemakers, unsafe pharmaceuticals, and other life-shortening treatments for the elderly are probably socially beneficial because they cut the cost of pensions, Social Security, and nursing home care. Let's hope the cost-benefit analysts cited by Passell can straighten out David Kessler on this issue.

SQUEEZING O.J. FOR GOOD

After the preliminary hearings in the O.J. Simpson case, National Public Radio's commentator Daniel Schorr made a modest proposal. Rather than simply give away this bonanza for free to the TV networks, Schorr proposed that the state of California lighten its fiscal woes by auctioning off broadcast rights to the upcoming trial.

With the Simpson trial providing hundreds of hours of home entertainment, why shouldn't the state get a cut of the profits? The first preliminary hearing in July drew an audience estimated at between 25 and 30 million, dramatically raising ratings for CNN and the major networks. While the full trial couldn't be expected to sustain that level of interest, its value at auction clearly was at least that of a major sports event.

Some may be disturbed by a precedent of this kind. After all, if California can sell off TV rights to the trial, what if Simpson were convicted? The state could also sell rights to the appeals, clemency hearings, O.J.'s Last Mile (imagine if he could be persuaded to run!), and the execution.

To be sure, such sales might give the state an unseemly interest in prolonging the appellate process or even in bringing murder charges against other celebrities. Televising the execution would also raise some delicate ethical issues, such as whether the state should take into account the value of TV rights when considering options for capital punishment.

Having trouble distinguishing satire from political reality? Send the items you can't identify for sure to "How Low Can You Go?", PO Box 383080, Cambridge, MA, 02238.

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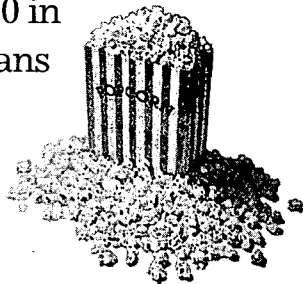
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ONE IN A SERIES



Last summer the only full menu restaurant in Cherokee, Oklahoma closed its doors. So the town's rural electric co-op went right to work, helped raise \$25,000 from local investors and got a new restaurant into business. It employs 13 and is already exceeding profit projections. Small potatoes? Not for folks in Cherokee. Farther north, there's Soyland Power Co-op in downstate Illinois. Here the co-op helped a family-owned

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